

**MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2020**

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Medina County Emergency Services District #1 as of and for the year ended September 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

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 Medina County Emergency Services District #1, as of September 30, 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 Supplementary 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 4 through 9 and 25 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.

*Coleman, Horton & Company, LLP*

Certified Public Accountants

Uvalde, Texas

December 15, 2021

## 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, 2020. 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 explain the relationship (or differences) between them.

**Financial Highlights**

- The District’s combined net position was \$8,703,987 at September 30, 2020, an increase of \$1,535,186 from the prior year.
- During the year, the District’s revenue was \$3,092,366 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) Property Taxes	\$ 1,437,881	\$ 1,366,234	\$ 71,647
b) Sales Taxes	1,549,649	1,335,255	214,394
c) Investment Earnings	102,180	28,948	73,232
d) Other Income	2,656	85	2,571
Total Revenue	<u>\$ 3,092,366</u>	<u>\$ 2,730,522</u>	<u>\$ 361,844</u>

- During the year, the Districts expenses were \$1,557,180 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) General Government	\$ 749,819	\$ 673,157	\$ 76,662
b) Other Debt Interest	20,555	11,576	8,979
c) Allegiance Mobile Health	575,000	575,000	-
d) Bandera County Emergency Medical Services	29,570	23,128	6,442
e) Medina Lake Volunteer Fire Department	29,570	23,128	6,442
f) Castroville Volunteer Fire Department	72,040	60,071	11,969
g) La Coste Lions Volunteer Fire Company	29,544	29,137	407
h) Mico Volunteer Fire Department	51,082	41,843	9,239
Total Expenses	<u>\$ 1,557,180</u>	<u>\$ 1,437,040</u>	<u>\$ 120,140</u>

- The General Fund reported a fund balance this year of \$6,423,751, an increase of \$1,418,476 from the prior year.
- The Debt Service Fund reported a fund balance this year of \$8,236, an increase of \$1,567 from the prior year.
- Revenues were \$145,319 above budget and expenditures were \$308,257 below budget.
- The District's combined net position was \$8,703,987 at September 30, 2020, as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Current and other assets	\$ 6,483,378	\$ 5,055,405	\$ 1,427,973
Capital and non-current assets	2,715,866	2,762,942	(47,076)
<b>Total Assets</b>	<b>\$ 9,199,244</b>	<b>\$ 7,818,347</b>	<b>\$ 1,380,897</b>
Current liabilities	\$ 2,240	\$ 1,748	\$ 492
Non-current Liabilities	493,017	647,798	(154,781)
<b>Total Liabilities</b>	<b>\$ 495,257</b>	<b>\$ 649,546</b>	<b>\$ (154,289)</b>
Net position:			
Net investment in capital assets	\$ 2,222,849	\$ 2,115,144	\$ 107,705
Restricted for debt service	8,236	6,669	1,567
Unrestricted	6,472,902	5,046,988	1,425,914
<b>Total Net Position</b>	<b>\$ 8,703,987</b>	<b>\$ 7,168,801</b>	<b>\$ 1,535,186</b>

### **Capital Assets and Debt Administration**

#### **Capital Assets**

Net capital assets for the District at fiscal year ended September 30, 2020 amounted to \$2,715,866. 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:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Land	\$ 98,724	\$ 98,724	\$ -
Buildings	1,835,668	1,835,668	-
Equipment	2,151,874	2,116,023	35,851
Construction in Progress	219,217	12,120	207,097
Total at historical cost	4,305,483	4,062,535	242,948
Total accumulated depreciation	(1,589,617)	(1,299,593)	(290,024)
Net capital assets	<b>\$ 2,715,866</b>	<b>\$ 2,762,942</b>	<b>\$ (47,076)</b>



**Long-Term Debt**

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Bank notes payable	\$ 493,017	\$ 647,798	\$ (154,781)

**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

## BASIC FINANCIAL STATEMENTS

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 6,152,383
Accounts Receivable, Net	330,995
Capital Assets:	
Land Purchase and Improvements	98,724
Buildings, Net	1,485,508
Furniture and Equipment, Net	912,417
Construction in Progress	219,217
Total Assets	9,199,244
<b>LIABILITIES</b>	
Accounts Payable	911
Accrued Interest Payable	1,329
Noncurrent Liabilities:	
Debt Due Within One Year	159,812
Bonds Payable - Noncurrent	333,205
Total Liabilities	495,257
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,222,849
Restricted for Debt Service	8,236
Unrestricted	6,472,902
Total Net Position	\$ 8,703,987

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, 2020

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Position

Primary Gov.  
Governmental  
Activities

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
General Government	\$ 749,819	\$ -	\$ -	\$ (749,819)
Allegiance Mobile Health	575,000	-	-	(575,000)
Bandera County Emergency Medical Services	29,570	-	-	(29,570)
Medina Lake Volunteer Fire Department	29,570	-	-	(29,570)
Castroville Volunteer Fire Department	72,040	-	-	(72,040)
La Coste Lions Volunteer Fire Company	29,544	-	-	(29,544)
Mico Volunteer Fire Company	51,082	-	-	(51,082)
Interest on Debt	20,555	-	-	(20,555)
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 1,557,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,557,180)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	1,437,436
Property Taxes, Levied for Debt Service	445
General Sales and Use Taxes	1,549,649
Miscellaneous Revenue	2,656
Investment Earnings	102,180
<b>Total General Revenues</b>	<u>3,092,366</u>

Change in Net Position

1,535,186

Net Position-- Beginning

7,168,801

Net Position - Ending

\$ 8,703,987

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, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,144,148	\$ 8,235	\$ 6,152,383
Taxes Receivable	333,389	2,747	336,136
Allowance for Uncollectible Taxes (credit)	(5,334)	(274)	(5,608)
Accounts Receivable, Net	467	-	467
Total Assets	<u>\$ 6,472,670</u>	<u>\$ 10,708</u>	<u>\$ 6,483,378</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 911	\$ -	\$ 911
Total Liabilities	<u>911</u>	<u>-</u>	<u>911</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	48,008	2,472	50,480
Total Deferred Inflows of Resources	<u>48,008</u>	<u>2,472</u>	<u>50,480</u>
<b>FUND BALANCES</b>			
Restricted for Debt Service	-	8,236	8,236
Unassigned Fund Balance	6,423,751	-	6,423,751
Total Fund Balances	<u>6,423,751</u>	<u>8,236</u>	<u>6,431,987</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,472,670</u>	<u>\$ 10,708</u>	<u>\$ 6,483,378</u>

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, 2020

<b>Total Fund Balances - Governmental Funds</b>	\$	6,431,987
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 \$4,062,535 and the accumulated depreciation was \$(1,299,593). In addition, long-term liabilities of \$(647,798) 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.		2,115,144
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 2020 capital outlays of \$242,948 and debt principal payments of \$154,781 is to increase net position.		397,729
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(290,024)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These included recognizing unavailable tax revenue of \$50,480 as revenue, and recognizing the liabilities associated with maturing long-term debt of \$(1,329). The net effect of these reclassifications is to increase net position.		49,151
<b>Net Position of Governmental Activities</b>	<u>\$</u>	<u>8,703,987</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, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 1,429,425	\$ 1,437	\$ 1,430,862
General Sales and Use Taxes	1,549,649	-	1,549,649
Investment Earnings	102,050	130	102,180
Other Revenue	2,656	-	2,656
Total Revenues	3,083,780	1,567	3,085,347
<b>EXPENDITURES:</b>			
Current:			
General Government	459,795	-	459,795
Contract Providers:			
Allegiance Mobile Health	575,000	-	575,000
Bandera County Emergency Medical Services	29,570	-	29,570
Medina Lake Volunteer Fire Department	29,570	-	29,570
Castroville Volunteer Fire Department	72,040	-	72,040
La Coste Lions Volunteer Fire Company	29,544	-	29,544
Mico Volunteer Fire Company	51,082	-	51,082
Debt Service:			
Principal on Debt	154,781	-	154,781
Interest on Debt	20,974	-	20,974
Capital Outlay:			
Equipment	35,851	-	35,851
Construction in Progress	207,097	-	207,097
Total Expenditures	1,665,304	-	1,665,304
Net Change in Fund Balances	1,418,476	1,567	1,420,043
Fund Balance - October 1 (Beginning)	5,005,275	6,669	5,011,944
Fund Balance - September 30 (Ending)	\$ 6,423,751	\$ 8,236	\$ 6,431,987

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, 2020

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,420,043
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 2020 capital outlays of \$242,948 and debt principal payments of \$154,781 is to increase the change in net position.		397,729
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.		(290,024)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These included recognizing the change in unavailable tax revenue of \$7,019 and recognizing the change in accrued interest of \$419. The net effect of these reclassifications and recognitions is to decrease net position.		7,438
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,535,186</b>

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, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Medina County Emergency Services District #1 (the “District”) is a municipal agency 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 assist volunteer fire departments and EMS organizations with partial funding to help provide protection for the lives and health of the people in the District with fire protection and emergency services. It is governed by a five-member Board of Commissioners appointed by the Medina County Judge. The District prepares its general purpose financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants; 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 Governmental Accounting Standards Board (“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’s 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 \$5,608.
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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses 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 assets.
7. Capital assets, which consist primarily of equipment, is 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
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 District Commissioners. However, the District has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the District Commissioners 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 District Commissioners 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, the unassigned.

By a majority vote in a scheduled meeting the District Commissioners 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 District Commissioners adopt 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 which is consistent with generally accepted accounting principles 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 District Commissioners through passage of an ordinance not later than 15 days prior to the beginning of the fiscal year.

### **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 \$5,894,148 in excess of FDIC coverage, secured by pledged securities of the depository bank.

As of September 30, 2020, the following are the District's cash and cash equivalents with respective maturities:

<b>Type of Deposit</b>	<b>Fair Value</b>	<b>Maturity in Less than 1 Year</b>	<b>Maturity in 1-10 Years</b>	<b>Maturity in Over 10 Yes</b>	<b>Credit Rating</b>
Cash and Cash					
Equivalents	\$ 6,152,383	\$ 6,152,383	\$ -	\$ -	-
Total Cash and Cash					
Equivalents	\$ 6,152,383	\$ 6,152,383	\$ -	\$ -	-

## 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) 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, (9) and 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 now 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 Medina County Emergency Services District #1 is in substantial compliance with the requirements of the Act and with local policies.

Additional polices and contractual provisions governing deposits and investments of Medina County Emergency Services District #1 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, 2020, 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, 2020 were as follows:

	Property Taxes	Sales Taxes	Other Receivables	Total Receivables
<b>Governmental Activities:</b>				
General Fund	\$ 53,342	\$ 280,047	\$ 467	\$ 333,856
Debt Service Fund	2,747	-	-	2,747
<b>Total Governmental Activities</b>	<b>56,089</b>	<b>280,047</b>	<b>467</b>	<b>336,603</b>
Amounts not scheduled for collection during the subsequent year	\$ 5,608	\$ -		\$ 5,608

Payables at September 30, 2020 we as follows:

	Accounts Payable	Accrued Liabilities	Total Payables
<b>Governmental Activities:</b>			
General Fund	\$ 911	\$ -	\$ 911
Debt Service Fund	-	-	-
<b>Total Governmental Activities</b>	<b>911</b>	<b>-</b>	<b>911</b>
Amounts not scheduled for collection during the subsequent year	\$ -	\$ -	\$ -

#### D. CAPITAL ASSETS ACTIVITIES

Capital asset activity for the year ended September 30, 2020 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Governmental Activities:					
Land	\$ 98,724	\$ -	\$ -	\$ -	\$ 98,724
Buildings	1,835,668	-	-	-	1,835,668
Equipment	2,116,023	35,851	-	-	2,151,874
Construction in Progress	12,120	207,097	-	-	219,217
Total at historical cost	<u>4,062,535</u>	<u>242,948</u>	<u>-</u>	<u>-</u>	<u>4,305,483</u>
Less accumulated depreciation					
Buildings	(309,588)	(40,572)	-	-	(350,160)
Equipment	(990,005)	(249,452)	-	-	(1,239,457)
Total accumulated depreciation	<u>(1,299,593)</u>	<u>(290,024)</u>	<u>-</u>	<u>-</u>	<u>(1,589,617)</u>
Governmental activities capital assets, net	<u>\$ 2,762,942</u>	<u>\$ (47,076)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,715,866</u>

Depreciation expense was charged to governmental activities as follows:

General and Administrative	<u>\$ 290,024</u>
Total depreciation expense	<u>\$ 290,024</u>



**E. LONG-TERM DEBT**

Long-term debt payable at September 30, 2020 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: \$168,067.

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: \$324,950.

	Primary Government				Amounts Due within One Year
	Beginning Balance	Additions	Retirements	Ending Balance	
Notes Payable					
Castroville State Bank	\$ 247,798	\$ -	\$ 79,731	\$ 168,067	\$ 82,361
Security State Bank	400,000	-	75,050	324,950	77,451
Total	\$ 647,798	\$ -	\$ 154,781	\$ 493,017	\$ 159,812

Annual debt service requirements as of September 30, 2020 are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2021	\$ 159,812	\$ 15,943	\$ 175,755
2022	165,637	10,747	\$ 176,384
2023	82,488	5,362	\$ 87,850
2024	85,080	2,723	\$ 87,803
Total	\$ 493,017	\$ 34,775	\$ 527,792

Interest expense for the year was \$20,974.

**F. 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, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,418,863	\$ 1,418,863	\$ 1,429,425	\$ 10,562
General Sales and Use Taxes	1,419,598	1,419,598	1,549,649	130,051
Investment Earnings	100,000	100,000	102,050	2,050
Other Revenue	-	-	2,656	2,656
Total Revenues	2,938,461	2,938,461	3,083,780	145,319
<b>EXPENDITURES:</b>				
Current:				
General Government	500,000	500,000	459,795	40,205
Contract Providers:				
Allegiance Mobile Health	575,000	575,000	575,000	-
Bandera County Emergency Medical Services	29,570	29,570	29,570	-
Medina Lake Volunteer Fire Department	29,570	29,570	29,570	-
Castroville Volunteer Fire Department	72,040	72,040	72,040	-
La Coste Lions Volunteer Fire Company	29,544	29,544	29,544	-
Mico Volunteer Fire Company	51,082	51,082	51,082	-
Debt Service:				
Principal on Debt	154,781	154,781	154,781	-
Interest on Debt	20,974	20,974	20,974	-
Capital Outlay:				
Equipment	91,000	91,000	35,851	55,149
Construction in Progress	420,000	420,000	207,097	212,903
Total Expenditures	1,973,561	1,973,561	1,665,304	308,257
Net Change	964,900	964,900	1,418,476	453,576
Fund Balance - October 1 (Beginning)	5,005,275	5,005,275	5,005,275	-
Fund Balance - September 30 (Ending)	\$ 5,970,175	\$ 5,970,175	\$ 6,423,751	\$ 453,576

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

# COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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## Communication with Those Charged with Governance

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

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Medina County Emergency Services District #1 for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Medina County Emergency Services District #1 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Medina County Emergency Services District #1's financial statements were:

Management's estimate of the allowance for uncollectible property taxes is based on historic collection percentages. We evaluated the key factors and assumptions used to develop the allowance for uncollectible property taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for depreciation is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the allowance for depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A copy of the adjustments proposed and accepted by management are attached.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 15, 2021.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Medina County Emergency Services District #1's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the District's Commissioners and management of Medina County Emergency Services District #1 and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Coleman, Horton & Company, LLP*  
Certified Public Accountants

**MEDINA COUNTY ESD #1**  
**2019-2020 ANNUAL AUDIT**  
**09/20/2020**  
**AJE - GENERAL FUND**  
**AJE.GF**

Account Name	AJERef	DR	CR
Tax Receivable - M&O	1	5,910.89	
Tax Receivable - M&O:Due from MCAD - M&O	1		761.01
Tax Receivable - M&O:Allowance - M&O	1		591.09
Deferred Revenue:Deferred Tax - M&O	1		8,007.46
Medina County Tax-Income:Tax \$'s Collected-M&O Current	1	3,448.67	

To adjust property tax receivable, deffered revenue, and revenues at year-end per confirmation

SUT Retained and Due to ESD#1	2	47,802.83	
SUT Income - Sales Tax Revenue:SUT Income Current - Sales Tax	2		47,802.83

To adjust sales tax receivable at year-end