

**Medina County Emergency
Services District #5**

**Annual Financial Report
For the Year Ended December 31, 2019**

Ede & Company, LLC
Certified Public Accountants

Medina County Emergency Services District #5
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	<u>Page</u>
Table of Contents	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
Statement of Net Position and Governmental Funds Balance Sheet	8
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	9
Notes to the Financial Statements	10 - 16
Required Supplementary Information	
Budgetary Comparison Statement - General Fund	17
Statistical Section	
Assessed Valuations, Tax Rates and Levies and Collections - Last Ten Fiscal Years	18

EDE & COMPANY, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Medina County Emergency Services District #5
P. O. Box 144
Natalia, TX 78059

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 #5, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina County Emergency Services District #5, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required 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 3-7 and 17 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medina County Emergency Services District #5's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Ede & Company, LLC

Ede & Company, LLC
September 10, 2020

Medina County Emergency Services District #5

Management's Discussion and Analysis

As management of the Medina County Emergency Services District #5, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Medina County Emergency Services District #5 for the year ended December 31, 2019. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The assets of the Medina County Emergency Services District #5 exceeded its liabilities at the close of the 2019 year by \$789,609 (net position). Of this amount, \$588,524 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Medina County Emergency Services District #5's governmental funds reported combined ending fund balances of \$560,885. 62 percent of this total amount, \$350,128 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$350,128, or 89 percent of total general fund expenditures, and 110 percent of the general fund revenues.

Overview of the Financial Statements. This discussion and analysis are intended to serve as an introduction to the Medina County Emergency Services District #5's basic financial statements. The Medina County Emergency Services District #5's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Medina County Emergency Services District #5's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Medina County Emergency Services District #5 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Medina County Emergency Services District #5 include administration and fire protection.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Medina County Emergency Services District #5, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be reported in one category: governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Medina County Emergency Services District #5 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-16 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain statistical supplementary information. Statistical and supplementary information can be found on pages 17-18 of this report.

Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end are \$789,609. This is a \$46,500 increase over last year's net position of \$743,109.

The following table provides a summary of the District's net position at December 31:

	Summary of Net Position			
	Governmental		Amount	%
	Activities			
	2019	2018		
Current and other assets	\$ 799,278	\$ 772,031	27,247	3.53%
Capital assets	463,131	519,631	(56,500)	-10.87%
Total assets	<u>1,262,409</u>	<u>1,291,662</u>	<u>(29,253)</u>	<u>-2.26%</u>
Current liabilities	59,492	56,766	2,726	4.80%
Long-term debt	413,308	491,787	(78,479)	-15.96%
Total liabilities	<u>472,800</u>	<u>548,553</u>	<u>(75,753)</u>	<u>-13.81%</u>
Net position:				
Net investment in capital assets	(9,669)	121,078	(130,747)	-107.99%
Restricted for debt service	210,754	192,026	18,728	9.75%
Unrestricted	588,524	430,005	158,519	36.86%
Total net position	<u>\$ 789,609</u>	<u>\$ 743,109</u>	<u>\$ 46,500</u>	<u>6.26%</u>

The District reported positive balances in net position for governmental activities. Net position increased \$42,539 for governmental activities.

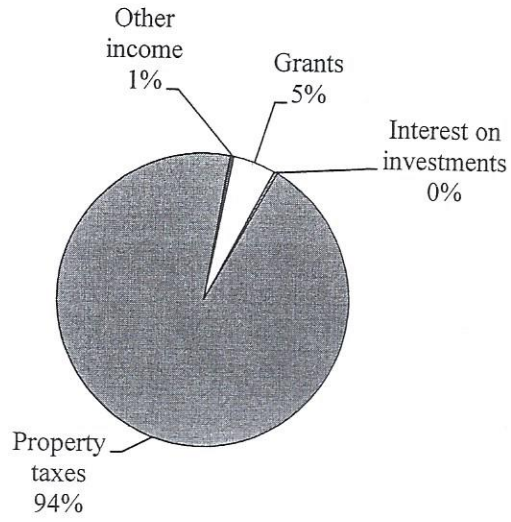
Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net position for the year ending December 31, 2019:

Summary of Changes in Net Position

	Governmental Activities		Amount Change	%
	2018	2018		
Revenues:				
General revenues				
Property taxes	\$ 394,811	\$ 352,353	\$ 42,458	12.05%
Grants	20,000	-	20,000	100.00%
Other income	1,740	-	1,740	100.00%
Interest on investments	1,675	1,271	404	31.79%
Total revenues	<u>418,226</u>	<u>353,624</u>	<u>64,602</u>	<u>18.27%</u>
Expenses:				
Fire protection	237,048	175,000	62,048	35.46%
Administration	134,678	117,344	17,334	14.77%
Total expenses	<u>371,726</u>	<u>292,344</u>	<u>79,382</u>	<u>27.15%</u>
Changes in net position	<u>46,500</u>	<u>61,280</u>	<u>(14,780)</u>	<u>-24.12%</u>
Other financing sources/uses				
Transfers in	-	100,000	-100,000	100.00%
Transfers out	-	(100,000)	100,000	100.00%
Gain on sale of assets	-	50	-50	100.00%
Beginning net assets	<u>743,109</u>	<u>681,779</u>	<u>61,330</u>	<u>100.00%</u>
Ending net position	<u>\$ 789,609</u>	<u>\$ 743,109</u>	<u>\$ 46,500</u>	<u>6.26%</u>

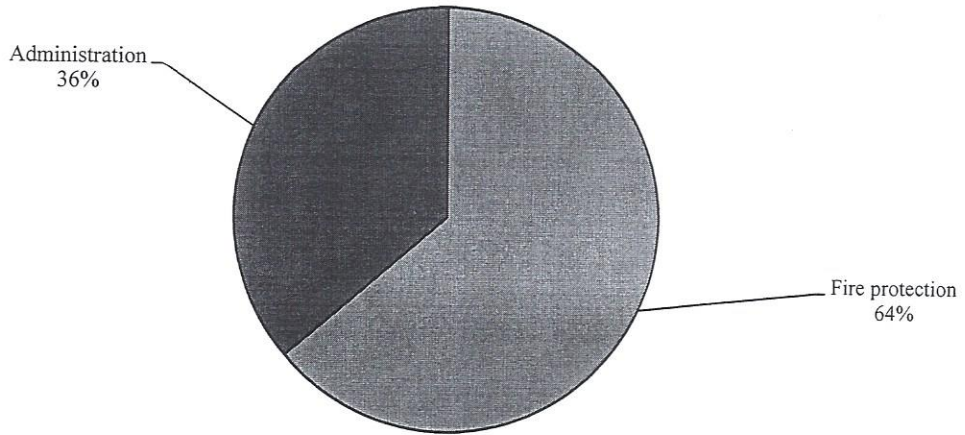
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the District's activities for the year of 2019:

Governmental Revenue - 2019



Total - \$418,226

Governmental Functional Expenses - 2019



Total - \$371,726

The graph shows the total governmental activities cost of \$371,726 for this year. Of this amount, Fire protection with \$2237,048 was the largest operating cost with 64% of the total cost for services, primarily funded by the District's taxing power.

Financial Analysis of the District's Funds

As noted earlier, the Medina County Emergency Services District #5 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of 2019, the District's governmental funds reported ending fund balances of \$560,882, an increase of \$90,963 in comparison with the prior year. 62% (\$350,128) constitutes unassigned fund balance, which is available for spending at the District's discretion. The general fund is the chief operating fund of the District. The District uses a debt service fund to retire long-term debt .

The fund balance of the Medina County Emergency Services District #5's general fund increased by \$90,963 during 2019. Key factors include:

- The general fund transferred \$100,000 to the debt service fund in the prior year.
- 2019 appropriations were greater than budgeted.
- 2019 expenditures were less than budgeted.

General Fund Budgetary Highlights

The District utilized an annual budget for 2019. Differences between the original operating budget and the final amended operating budget were \$67,374 or 22 percent of the original budget amount. The changes can be summarized as follows:

- The District added a line item for professional fees.
- The District increased line items for numerous accounts.

Economic Factors and the Next Year's Budgets and Rates

The District has adopted a 2020 budget of \$315,732, with appropriations of \$315,732. This budget may be amended to reflect unanticipated changes that occur during the year. The District adopted a tax rate of .010/\$100 on a valuation of \$400,713,226.

Requests for Information

This financial report is designed to provide a general overview of the Medina County Emergency Services District #5's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at P. O. Box 144, Natalia, TX 78059.

Medina County Emergency Services District #5
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2019

	General Fund	Debt Service Fund	Adjustments	Statement of Net Assets
ASSETS				
Cash	\$ 147,214	\$ 168,079	\$ -	\$ 315,293
Investments	132,825	-	-	132,825
Taxes receivable	191,268	47,128	-	238,396
Due from other governments	84,489	21,871	-	106,360
Due from other funds	-	20,804	(20,804)	-
Prepaid expenses	6,404			6,404
Capital assets (net of accumulated depreciation)				
Building			148,509	148,509
Equipment	-		314,622	314,622
Total assets	\$ 562,200	\$ 257,882	442,327	1,262,409
LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	20,804	-	(20,804)	-
Long-term liabilities:				
Due within one year	-	-	59,492	59,492
Due after one year	-	-	413,308	413,308
Total liabilities	20,804	-	451,996	472,800
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	191,268	47,128	(238,396)	-
FUND BALANCES/NET POSITION				
Fund balances:				
Restricted for debt service	-	210,754	(210,754)	-
Unassigned	350,128	-	(350,128)	-
Total liabilities and fund balances	\$ 562,200	\$ 257,882	(560,882)	-
Net Position:				
Net investment in capital assets			(9,669)	(9,669)
Restricted for debt service			210,754	210,754
Unrestricted			588,524	588,524
Total net position			\$ 789,609	\$ 789,609

The accompanying notes are an integral part of this statement.

Medina County Emergency Services District #5
Statement of Activities and Governmental Funds
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

	General Fund	Debt Service Fund	Adjustments	Statement of Activities
Revenues:				
Property taxes	\$ 362,092	\$ 96,435	\$ (63,716)	\$ 394,811
Grants	20,000	-	-	20,000
Other income	1,740	-	-	1,740
Investment earnings	1,675	-	-	1,675
Total revenues	385,507	96,435	(63,716)	418,226
Expenditures/expenses:				
Operations of the district:				
Other services and charges	54,305	20,358	56,500	131,163
Supplies	3,515	-	-	3,515
Capital outlay	-	-	-	-
Principle on long-term debt	18,404	57,349	(75,753)	-
	76,224	77,707	(19,253)	134,678
Contracts with service provider:				
Natalia VFD	208,848	-	-	208,848
Lytle VFD	28,200	-	-	28,200
	237,048	-	-	237,048
Total expenditures/expenses	313,272	77,707	(19,253)	371,726
Excess (deficiency) of revenues over expenditures	72,235	18,728	(44,463)	46,500
Other financing sources/uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Gain on Sale of Assets	-	-	-	-
Proceeds for issuance of long-term debt	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	72,235	18,728	(44,463)	46,500
Fund balance/net position:				
Beginning of the year	277,893	192,026	277,151	743,109
End of the year	\$ 350,128	\$ 210,754	78,614	\$ 789,609

The accompanying notes are an integral part of this statement.

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Medina County Emergency Services District #5 was created by the voters of the District in a special election conducted November 14, 2006 as authorized by the Texas Health and Safety Code Chapter 775. The District is governed by a five member Board of Commissioners appointed by the County Judge.

Reporting Entity: The reporting entity is defined as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component units board of directors and either 1) the ability to impose will by the primary government, or 2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District does not have any component units. The District is not a component unit of any other entity.

Government-wide and Fund Financial Statements: The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding any fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenue directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements are provided for governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation. The financial statements of the Medina County Emergency Services District #5 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in the statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2019

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds

Governmental Funds

The District reports the following major governmental funds:

General Fund – reports as the primary fund of the District. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund – accounts for revenues generated and expenditures made for the retirement of general long-term debt.

Capital Assets and Depreciation. The District's property, plant, equipment, and infrastructure with useful lives of over one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The District maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to asset value or extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years for depreciable assets are as follows:

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

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2019

Reconciliation of Government-wide and Governmental Fund Financial Statements

**Reconciliation of Governmental Fund Balance to
Net Position of Governmental Activities
December 31, 2019**

Total Governmental Fund Balance	\$	560,882
 Amounts reported in governmental activities in the statement of net position are different because:		
 Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental funds. In addition, long-term liabilities 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 the capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		
		(28,922)
 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 2018 capital outlays and other adjustments is to increase net position.		
		75,753
 Accumulated depreciation has not been included in the general fund financial statements.		
		(56,500)
 Other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unearned revenue and adjusting prior year's delinquent taxes from unearned revenue to beginning net position.		
		<u>238,396</u>
 Net Position of Governmental Activities	 \$	 <u><u>789,609</u></u>

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2019

Net Change in Governmental Fund Balances \$ 90,963

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

Governmental funds report capital outlays and principal payments on long-term debt as expenditures. However, they are reported as increases in capital assets in the government-wide financial statements. 75,753

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position. (56,500)

Other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unearned revenue as revenue and adjusting the current year revenue to show the revenue earned from the current year's tax levy. (63,716)

Change in Net Position of Governmental Activities \$ 46,500

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Fund Equity. The District reports fund balances for the 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 whole 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 for the District Commissioners. However, the Commissioners have adopted fund balance policies for the three unrestricted classifications: committed, assigned, and unassigned.

Medina County Emergency Services District #5

Notes to Financial Statements

December 31, 2019

From time to time, the District Commissioners may commit fund balances by a majority vote in a scheduled meeting. The Commissioner's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Commissioner's 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 (rainy day funds), and other purposes determined by the Commissioners.

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 Commissioners 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 Commissioners by majority vote in a scheduled meeting.

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

NOTE B – DEPOSITS AND INVESTMENTS

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. The District has complied with this law, however, since its cash deposits are fully covered by FDIC insurance, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

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 Use U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Lower Trinity Groundwater Conservation District is in substantial compliance with the requirements of the Act and with local policies.

As of December 31, 2019, Medina County Emergency Services District #5 had the following investments:

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2019

<u>Investment Type</u>	Investment Maturities (in years)			Credit Rating
	Fair Value	Less Than 1	More Than 1	
Certificates of Deposit	<u>#####</u>	<u>#####</u>	<u>\$ -</u>	1

Additional polices and contractual provisions governing deposits and investments for Medina County Emergency Services District #5 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 depository bank certificates of deposits and state sponsored investment pools.

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 and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investments in both depository bank certificates of deposits and state sponsored investment pools.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than two years on a weighted average maturity basis.

Foreign Currency Risk for investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

NOTE C - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The appraisal of property within the District is the responsibility of the Medina County Appraisal District, which is required to assess all property within the District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. The total assessed value at January 1, 2018, upon which the fiscal 2019 levy was based was \$365,429,081.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance general government service for the year ended December 31, 2018, was \$.1 per \$100 of assessed valuation.

Current tax collections for the year ended December 31, 2019, were 49% of the tax levy.

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2019

NOTE D – CAPITAL ASSETS

Schedule of Changes in General Fixed Asset
 FYE 12/31/19

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets being depreciated:</i>				
Buildings	\$ 156,325	\$ -	\$ -	\$ 156,325
Equipment	534,322	-	-	534,322
Total capital assets being depreciated	<u>690,647</u>	<u>-</u>	<u>-</u>	<u>690,647</u>
Less accumulated depreciation for:				
Buildings	3,908	3,908	-	7,816
Equipment	167,108	52,592	-	219,700
Total accumulated depreciation	<u>171,016</u>	<u>56,500</u>	<u>-</u>	<u>227,516</u>
Total capital assets being depreciated, net	<u>519,631</u>	<u>(56,500)</u>	<u>-</u>	<u>463,131</u>
Governmental activities capital assets, net	<u>\$ 519,631</u>	<u>\$ (56,500)</u>	<u>\$ -</u>	<u>\$ 463,131</u>

NOTE E – LONG TERM LIABILITIES

The following is a summary of the changes in long-term debt:

	Balance Outstanding 01/01/19	Issued During Year	Retired During Year	Balance Outstanding 12/31/19
Notes Payable - Government Capital Corporation	\$ 398,553	\$ -	\$ 44,214	\$ 354,339
Notes Payable - Security State Bank	150,000	-	31,539	118,461
Total	<u>\$ 548,553</u>	<u>\$ -</u>	<u>\$ 75,753</u>	<u>\$ 472,800</u>

Notes payable to Government Capital Corporation is an operating note, original amount \$482,689, interest rate is 3.383%, payable in seven annual payments of \$57,697.43, matures 02/05/2026.

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2019

Notes payable to Security State Bank, secured by a building, original amount \$150,000, interest rate is 3.9%, payable in ten annual payments of \$18,402, matures 04/01/2028.

Debt service requirements for the notes are as follows:

Year Ended December 31,	Principal	Interest	Total
2019	59,492	16,607	76,099
2020	61,576	14,523	76,099
2021	63,733	12,366	76,099
2022	65,966	10,133	76,099
2023	68,277	7,822	76,099
Thereafter	153,756	8,768	162,524
	<u>\$ 472,800</u>	<u>\$ 70,219</u>	<u>\$ 543,019</u>

NOTE F – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at December 31, 2019 consisted of the following:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 20,804

The purpose of the due to/from other funds is short-term interfund borrowings.

Medina County Emergency Services District No. 5
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund

For the Year Ended December 31, 2019

	Original Budget	Revised Budget	Total Actual	Variance
<u>REVENUES</u>				
Property taxes	\$ 314,299	\$ 353,931	\$ 362,092	\$ 8,161
Grant	-	20,000	20,000	-
Other income	-	1,739	1,740	1
Investment income	200	1,849	1,675	(174)
Total revenue	<u>314,499</u>	<u>377,519</u>	<u>385,507</u>	<u>7,988</u>
<u>EXPENDITURES</u>				
Fire protection & medical services:				
Contracts with service providers				
Natalia VFD	141,000	141,000	208,848	(67,848)
Lytle VFD	20,000	27,000	28,200	(1,200)
	<u>161,000</u>	<u>168,000</u>	<u>237,048</u>	<u>(69,048)</u>
Supplies				
Supplies	5,000	32,547	3,515	29,032
	<u>5,000</u>	<u>32,547</u>	<u>3,515</u>	<u>29,032</u>
Other services and charges				
Legal Fees	3,000	516	516	-
Accounting & auditing	8,000	8,700	9,425	(725)
Other professional fees	-	22,000	22,000	-
Tax appraisal fees	6,149	6,504	6,504	-
Tax collection fees	4,500	6,652	4,526	2,126
Administrative expenses	4,500	5,573	3,781	1,792
Insurance	1,750	2,431	2,431	-
Dues	600	550	550	-
Conference/travel	2,000	1,640	1,640	-
Miscellaneous	500	3,608	2,932	676
Member health benefits	2,500	-	-	-
	<u>33,499</u>	<u>58,174</u>	<u>54,305</u>	<u>3,869</u>
Capital outlay				
Building	28,000	18,247	-	18,247
	<u>28,000</u>	<u>18,247</u>	<u>-</u>	<u>18,247</u>
Det Service				
Principal	56,766	75,753	18,404	57,349
Interest	20,234	19,152	-	19,152
	<u>77,000</u>	<u>94,905</u>	<u>18,404</u>	<u>76,501</u>
Total expenditures	<u>304,499</u>	<u>371,873</u>	<u>313,272</u>	<u>58,601</u>
Excess of revenues over expenditures	10,000	5,646	72,235	66,589
Fund balance, beginning	277,893	277,893	277,893	-
Fund balance, ending	<u>\$ 287,893</u>	<u>\$ 283,539</u>	<u>\$ 350,128</u>	<u>\$ 66,589</u>

Medina County Emergency Services District No. 5
 Assessed Valuations, Tax Rates and Levies, and Collections
 Last Ten Years

Year Ended	Assessed Value	Tax Rate	Balance Outstanding 1/1/2019	Current Year Levy	Adjustments	Collections	Balance Outstanding 12/31/2019
Prior Years	Various	Various	2,826	-	(81)	491	2,254
12/31/10	232,068,521	0.10	1,468	-		249	1,219
12/31/11	241,460,707	0.10	1,482	-	(14)	362	1,106
12/31/12	248,012,000	0.10	1,725	-	4	423	1,306
12/31/13	257,819,305	0.10	2,344	-	15	466	1,893
12/31/14	267,232,350	0.10	3,558	-	223	792	2,989
12/31/15	266,314,419	0.10	5,250	-	208	1,264	4,194
12/31/16	301,019,337	0.10	9,092	-	166	2,110	7,148
12/31/17	324,000,289	0.10	16,227	-	567	6,020	10,774
12/31/18	348,090,674	0.10	274,036	-	154	256,376	17,814
01/31/19	365,429,081	0.10	-	366,744	-	179,045	187,699
			<u>\$ 318,008</u>	<u>\$ 366,744</u>	<u>\$ 1,242</u>	<u>\$ 447,598</u>	<u>\$ 238,396</u>

(Unaudited)