

Medina County Emergency Services District #5

Annual Financial Report
For the Year Ended December 31, 2022

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Ede & Company, LLC
Certified Public Accountants

Medina County Emergency Services District #5
Annual Financial Report
For the Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise Medina County Emergency Services District #5'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 Medina County Emergency Services District #5, as of December 31, 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. 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 Medina County Emergency Services District #5, 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 Medina County Emergency Services District #5'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 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 Medina County Emergency Services District #5's internal control. 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Medina County Emergency Services District #5'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 and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ede & Company, LLC

Ede & Company, LLC
December 18, 2023

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, 2022. 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 2022 year by \$1,298,084 (net position). Of this amount, \$1,066,690 (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 \$1,190,809. 85 percent of this total amount, \$1,010,770 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 \$1,483,503, or 247 percent of total general fund expenditures, and 289 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 \$1,298,084. This is a \$230,659 increase over last year's net position of \$1,067,425.

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

	Summary of Net Position			
	Governmental Activities		Amount Change	% Change
	2022	2021		
Current and other assets	\$ 1,646,729	\$ 1,019,715	627,014	61.49%
Capital assets	319,471	379,971	(60,500)	-15.92%
Total assets	<u>1,968,222</u>	<u>1,399,686</u>	<u>568,536</u>	<u>40.62%</u>
Current liabilities	98,027	64,459	33,568	52.08%
Long-term debt	570,089	268,647	301,442	112.21%
Total liabilities	<u>668,116</u>	<u>333,106</u>	<u>335,010</u>	<u>100.57%</u>
Net position:				
Net investment in capital assets	51,355	46,865	4,490	9.58%
Restricted for debt service	180,039	197,668	(17,629)	-8.92%
Unrestricted	<u>1,066,690</u>	<u>822,046</u>	<u>244,644</u>	<u>29.76%</u>
Total net position	<u>\$ 1,298,084</u>	<u>\$ 1,066,579</u>	<u>\$ 231,505</u>	<u>21.71%</u>

The District reported positive balances in net position for governmental activities. Net position increased \$230,659 for governmental activities.

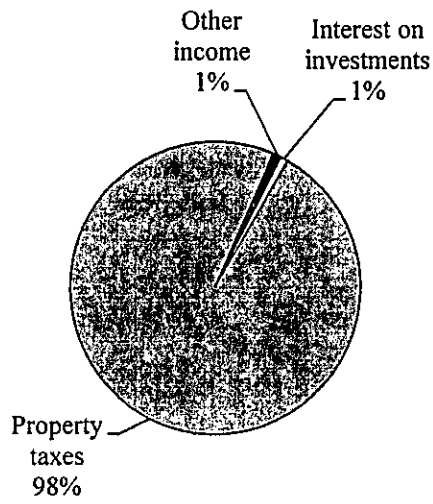
Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net position for the year ending December 31, 2022:

Summary of Changes in Net Position

	Governmental Activities		Amount Change	% Change
	2022	2021		
Revenues:				
General revenues				
Property taxes	\$ 584,716	\$ 487,653	\$ 97,063	19.90%
Grants	-	-	-	0.00%
Other income	5,711	135	5,576	4130.37%
Interest on investments	4,718	1,176	3,542	301.19%
Total revenues	<u>595,145</u>	<u>488,964</u>	<u>106,181</u>	<u>21.72%</u>
Expenses:				
Fire protection	234,399	205,280	29,119	14.19%
Administration	129,241	128,798	443	0.34%
Total expenses	<u>363,640</u>	<u>334,078</u>	<u>29,562</u>	<u>8.85%</u>
Changes in net position	<u>231,505</u>	<u>154,886</u>	<u>76,619</u>	<u>49.47%</u>
Other financing sources/uses				
Transfers in	-	76,099	(76,099)	-100.00%
Transfers out	-	(76,099)	76,099	-100.00%
Gain on sale of assets	-	-	-	0.00%
Beginning net assets	1,067,425	911,693	155,732	17.08%
Prior period adjustment	(846)	0	(846)	100.00%
Ending net position	<u>\$ 1,298,084</u>	<u>\$ 1,066,579</u>	<u>\$ 231,505</u>	<u>21.71%</u>

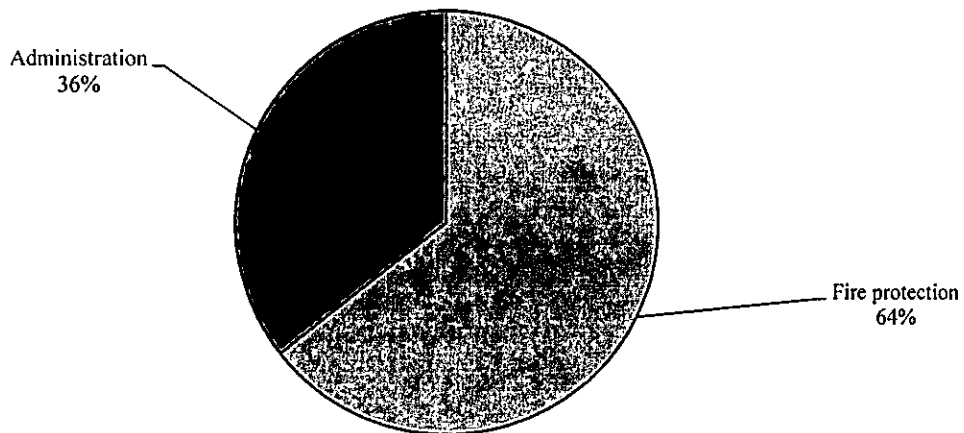
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the District's activities for the year of 2022:

Governmental Revenue - 2022



Total - \$595,145

Governmental Functional Expenses - 2022



Total - \$363,640

The graph shows the total governmental activities cost of \$363,640 for this year. Of this amount, Fire protection with \$2

4,399 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 2022, the District's governmental funds reported ending fund balances of \$1,190,809, an increase of \$440,358 in comparison with the prior year. 85% (\$1,010,770) 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 \$457,987 during 2022. Key factors include:

- The governing body has a conservative fiscal attitude.
- 2022 expenditures were less than budgeted.
- The district received \$400,000 proceeds from long-term debt that were not expended by the end of the fiscal year.

General Fund Budgetary Highlights

The District utilized an annual budget for 2022. Differences between the original operating budget and the final amended operating budget were \$0 or 0 percent of the original budget amount. The changes can be summarized as follows:

- The District did not amend its budget.

Economic Factors and the Next Year's Budgets and Rates

The District has adopted a 2023 budget of \$552,100, with appropriations of \$417,936. 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 \$7,132,811.

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, 2022

	General Fund	Debt Service Fund	Adjustments	Statement of Net Assets
ASSETS				
Cash	\$ 1,053,469	\$ 95,952	\$ -	\$ 1,149,421
Investments	-	-	-	-
Taxes receivable	394,231	61,689	-	455,920
Due from other governments	35,803	5,585	-	41,388
Due from other funds	-	78,502	(78,502)	-
Capital assets (net of accumulated depreciation)				
Building	-	-	136,785	136,785
Equipment	-	-	182,686	182,686
Total assets	\$ 1,483,503	\$ 241,728	240,969	1,966,200
LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	78,502	-	(78,502)	-
Long-term liabilities:				
Due within one year	-	-	98,027	98,027
Due after one year	-	-	570,089	570,089
Total liabilities	78,502	-	589,614	668,116
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	394,231	61,689	(455,920)	-
FUND BALANCES/NET POSITION				
Fund balances:				
Restricted for debt service	-	180,039	(180,039)	-
Unassigned	1,010,770	-	(1,010,770)	-
Total liabilities and fund balances	\$ 1,483,503	\$ 241,728	(1,190,809)	-
Net Position:				
Net investment in capital assets			51,355	51,355
Restricted for debt service			180,039	180,039
Unrestricted			1,066,690	1,066,690
Total net position			\$ 1,298,084	\$ 1,298,084

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, 2022

	General Fund	Debt Service Fund	Adjustments	Statement of Activities
Revenues:				
Property taxes	\$ 339,696	\$ 59,209	\$ 185,811	\$ 584,716
Grants	-	-	-	-
Other income	5,711	-	-	5,711
Investment earnings	4,718	-	-	4,718
Total revenues	<u>350,125</u>	<u>59,209</u>	<u>185,811</u>	<u>595,145</u>
Expenditures/expenses:				
Operations of the district:				
Other services and charges	56,215	11,848	60,500	128,563
Supplies	678	-	-	678
Capital outlay	-	-	-	-
Principle on long-term debt	-	64,990	(64,990)	-
	<u>56,893</u>	<u>76,838</u>	<u>(4,490)</u>	<u>129,241</u>
Contracts with service provider:				
Natalia VFD	194,399	-	-	194,399
Lytle VFD	40,000	-	-	40,000
	<u>234,399</u>	<u>-</u>	<u>-</u>	<u>234,399</u>
Total expenditures/expenses	<u>291,292</u>	<u>76,838</u>	<u>(4,490)</u>	<u>363,640</u>
Excess (deficiency) of revenues over expenditures	58,833	(17,629)	190,301	231,505
Other financing sources/uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Gain on Sale of Assets	-	-	-	-
Proceeds for issuance of long-term debt	400,000	-	(400,000)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	458,833	(17,629)	(209,699)	231,505
Fund balance/net position:				
Beginning of the year	552,783	197,668	316,974	1,067,425
Prior period adjustment	(846)	-	-	(846)
End of the year	<u>\$ 1,010,770</u>	<u>\$ 180,039</u>	<u>107,275</u>	<u>\$ 1,298,084</u>

The accompanying notes are an integral part of this statement.

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2022

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, 2022

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, 2022

Reconciliation of Government-wide and Governmental Fund Financial Statements

**Reconciliation of Governmental Fund Balance to
Net Position of Governmental Activities
December 31, 2022**

Total Governmental Fund Balance	\$	1,190,809
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**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.		46,865
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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 and other adjustments is to increase net position.		64,990
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Accumulated depreciation has not been included in the general fund financial statements.		(60,500)
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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>55,920</u>
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Net Position of Governmental Activities	\$	<u>1,298,084</u>
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Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2022

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

Net Change in Governmental Fund Balances	\$	441,204
 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.		
		64,990
 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.		
		(60,500)
 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.		
		<u>(214,189)</u>
 Change in Net Position of Governmental Activities	 \$	 <u>231,505</u>

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, 2022

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, 2022, Medina County Emergency Services District #5 had the following investments:

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2022

<u>Investment Type</u>	Investment Maturities (in years)			<u>Credit Rating</u>
	Fair Value	Less Than 1	More Than 1	
Certificates of Deposit	\$ -	\$ -	\$ -	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, 2021, upon which the fiscal 2022 levy was based was \$578,733,000.

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, 2022, was \$.1 per \$100 of assessed valuation.

Current tax collections for the year ended December 31, 2022, were 30% of the tax levy.

Medina County Emergency Services District #5
Notes to Financial Statements
December 31, 2022

NOTE D – CAPITAL ASSETS

Schedule of Changes in General Fixed Asset
 FYE 12/31/22

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets being depreciated:</i>				
Buildings	\$ 156,325	\$ -	\$ -	\$ 156,325
Equipment	568,722	-	-	568,722
Total capital assets being depreciated	<u>690,647</u>	<u>-</u>	<u>-</u>	<u>725,047</u>
Less accumulated depreciation for:				
Buildings	15,632	3,908	-	19,540
Equipment	329,444	56,592	-	386,036
Total accumulated depreciation	<u>171,016</u>	<u>60,500</u>	<u>-</u>	<u>405,576</u>
Total capital assets being depreciated, net	<u>519,631</u>	<u>(60,500)</u>	<u>-</u>	<u>319,471</u>
Governmental activities capital assets, net	<u>\$ 519,631</u>	<u>\$ (60,500)</u>	<u>\$ -</u>	<u>\$ 319,471</u>

NOTE E – LONG TERM LIABILITIES

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

	Balance Outstanding 01/01/22	Issued During Year	Retired During Year	Balance Outstanding 12/31/22
Notes Payable - Government Capital Corporation	\$ 261,373	\$ -	\$ 48,856	\$ 212,517
Notes Payable - Security State Bank	71,733	-	16,135	55,598
Notes Payable - Government Capital Corporation	-	400,000	-	400,000
Total	<u>\$ 377,668</u>	<u>\$ 400,000</u>	<u>\$ 64,991</u>	<u>\$ 668,115</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, 2022

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 04/01/2026.

Notes payable to Government Capital Corporation, secured by a fire truck, original amount \$400,000, interest rate is 5.35%, payable in ten annual payments of \$52,686, matures 12/15/2032.

Debt service requirements for the notes are as follows:

Year Ended December 31,	Principal	Interest	Total
2023	98,027	30,758	128,785
2024	102,043	26,742	128,785
2025	106,231	22,555	128,786
2026	97,364	18,187	115,551
2027	38,538	14,148	52,686
Thereafter	225,912	37,517	263,429
	<u>\$ 668,115</u>	<u>\$ 149,907</u>	<u>\$ 818,022</u>

NOTE F – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at December 31, 2022 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	\$ 78,502

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, 2022

	Original Budget	Revised Budget	Total Actual	Variance
<u>REVENUES</u>				
Property taxes	\$ 466,256	\$ 466,256	\$ 339,696	\$ 58,833
Other income	-	-	5,711	5,711
Investment income	860	860	4,718	3,858
Total revenue	<u>467,116</u>	<u>467,116</u>	<u>350,125</u>	<u>68,402</u>
<u>EXPENDITURES</u>				
Fire protection & medical services:				
Contracts with service providers				
Natalia VFD	165,000	165,000	194,399	(29,399)
Lytle VFD	40,000	40,000	40,000	-
	<u>205,000</u>	<u>205,000</u>	<u>234,399</u>	<u>(29,399)</u>
Supplies				
Supplies	250	250	678	(428)
	<u>250</u>	<u>250</u>	<u>678</u>	<u>(428)</u>
Other services and charges				
Legal Fees	5,000	5,000	2,321	2,679
Accounting & auditing	10,000	10,000	10,157	(157)
Other professional fees	6,000	6,000	7,500	(1,500)
Tax appraisal fees	7,500	7,500	-	7,500
Tax collection fees	6,000	6,000	4,245	1,755
Administrative expenses	1,050	1,050	2,887	(1,837)
Insurance	3,000	3,000	2,878	122
Dues	1,500	1,500	550	950
Conference/travel	7,000	7,000	2,552	4,448
Repairs	45,000	45,000	23,035	21,965
Miscellaneous	32,000	32,000	90	31,910
Member health benefits	5,000	5,000	-	5,000
	<u>129,050</u>	<u>129,050</u>	<u>56,215</u>	<u>72,835</u>
Capital outlay				
Equipment	56,717	56,717	-	56,717
	<u>56,717</u>	<u>56,717</u>	<u>-</u>	<u>56,717</u>
Det Service				
Principal	62,933	62,933	-	62,933
Interest	13,166	13,166	-	13,166
	<u>76,099</u>	<u>76,099</u>	<u>-</u>	<u>76,099</u>
Total expenditures	<u>467,116</u>	<u>467,116</u>	<u>291,292</u>	<u>175,824</u>
Excess of revenues over expenditures	-	-	58,833	58,833
Proceeds from long-term debt	-	-	400,000	400,000
Fund balance, beginning	552,783	552,783	552,783	-
Prior period adjustment	-	-	(846)	(846)
Fund balance, ending	<u>\$ 552,783</u>	<u>\$ 552,783</u>	<u>\$ 1,010,770</u>	<u>\$ 457,987</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 1/1/2022	Current Year Levy	<u>Adjustments</u> and Discounts	Collections	Balance Outstanding 12/31/2022
Prior Years	Various	Various	3,930	-	111	253	3,788
12/31/13	257,819,305	0.10	1,188	-	-	216	972
12/31/14	267,232,350	0.10	1,718	-	(19)	476	1,223
12/31/15	266,314,419	0.10	2,018	-	(17)	487	1,514
12/31/16	301,019,337	0.10	2,863	-	(18)	914	1,931
12/31/17	324,000,289	0.10	4,113	-	(7)	1,275	2,831
12/31/18	348,090,674	0.10	5,552	-	(265)	1,391	3,896
12/31/19	365,429,081	0.10	8,414	-	(547)	2,468	5,399
12/31/20	399,722,137	0.10	14,008	-	(813)	5,521	7,674
12/31/21	478,636,998	0.10	225,459	-	(4,365)	203,392	17,702
12/31/22	578,733,000	0.10	-	578,733	(5)	169,718	409,010
			<u>\$ 269,263</u>	<u>\$ 578,733</u>	<u>\$ (5,945)</u>	<u>\$ 386,111</u>	<u>\$ 455,940</u>

(Unaudited)