

COMAL COUNTY
EMERGENCY SERVICES DISTRICT #2

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2020

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
 TABLE OF CONTENTS
 DECEMBER 31, 2020

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
 <u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheets – Government Funds	9
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position of Governmental Activities	10
Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes of Governmental Funds to the Statement of Activities of Governmental Activities	12
Notes to Financial Statements	13-18
 <u>Required Supplementary Information:</u>	
Budgetary Comparison Schedules:	
General Fund	19



Rick C. Reed & Company, PLLC
Certified Public Accountants

Member of the American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board Members
Comal County Emergency Services District No. 2
Canyon Lake, TX

We have audited the accompanying financial statements of the governmental activities and the major fund of Comal County Emergency Services District No. 2 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Except as discussed in the qualified opinion paragraph below, 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of December 31, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Rick C. Reed & Company, PLLC

Rick C. Reed & Company, PLLC

June 25, 2021

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Comal County Emergency Services District No. 2 ("ESD #2" "the District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ESD #2's total net position was \$3,960,422 at December 31, 2020.
- Expenses for the year ended December 31, 2020 were \$3,674,398. Revenue exceeded expenses by \$951,593.

OVERVIEW OF THE FINANCIAL STATEMENTS

ESD #2's Annual Financial Report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report ESD #2's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The District has one fund type which is the general fund. This fund accounts for property tax revenues which are collected monthly by Comal County on behalf of the District. ESD #2 was formed as a subdivision of the State of Texas as an emergency services district under Health and Safety Code 776. Effective June 17, 2011, Senate Bill repealed Chapter 776 of the Texas Health & Safety Code and converted all of the emergency services districts operating under Chapter 776 to districts operating under Chapter 775.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities - Emergency services operating activities are reported in these statements.

The Statement of Net Position and the Statement of Activities present a view of the District's financial operations as a whole, reflect all financial transactions, and provide information helpful in determining whether the District's financial health or position has improved or deteriorated as a result of the current year's activities. Both of these statements are prepared using the full accrual basis of accounting similar to that used by most private-sector companies. The Statement of Net Position includes all assets and liabilities, both short and long term. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report ESD #2's net position, which represent the difference between assets and (liabilities plus deferred inflows of resources). Over time, the increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating. Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

Fund Financial Statements

Fund financial statements provide a detailed short-term view of ESD #2's operations, focusing on its most significant or "major" fund, emergency service operations. The District has one fund -- a general fund.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds - The accounting for ESD #2's basic services is included in the governmental fund. The measurement focus and basis of accounting used for reporting continues to be the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental fund is the General Fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 10 and 12.

Notes to Financial Statements

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 19.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF ESD #2 AS A WHOLE

A schedule of ESD #2's net position is summarized as follows:

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets	\$ 6,570,242	\$ 5,431,549
Capital assets, net	1,434,184	1,306,076
Total assets	<u><u>\$ 8,004,426</u></u>	<u><u>\$ 6,737,625</u></u>
 Liabilities		
Current liabilities:		
Accounts payable	\$ -	\$ 19,197
Total liabilities	<u>-</u>	<u>19,197</u>
 Deferred inflows of resources	<u>4,044,004</u>	<u>3,709,599</u>
 Net position		
Net investment in capital assets	1,434,184	1,306,076
Unrestricted	2,526,238	1,702,753
Total net position	<u><u>\$ 3,960,422</u></u>	<u><u>\$ 3,008,829</u></u>

At December 31, 2020 the District's current assets were comprised of 43% cash, 28% due from tax office, and 29% property taxes receivable.

ESD #2's total general revenues were \$4,625,991 in 2020, an increase of 15% from the prior year. The increase in revenue was attributable to a 5% increase in the property value. Substantially all of the District's revenue is from property taxes.

For the year ended December 31, 2020, the total costs were \$3,674,398, an increase of 20% over the prior year. Total costs included \$3,218,704 paid to Emergency Service District #3 for personnel costs and \$274,217 of depreciation expense.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	<u>2020</u>	<u>2019</u>
Revenues:		
General Revenues	\$ 4,625,991	\$ 4,022,151
Total revenues	<u>4,625,991</u>	<u>4,022,151</u>
Expenditures		
General Government	455,694	425,628
Health & Human Services	3,218,704	2,632,354
Total expenses	<u>3,674,398</u>	<u>3,057,982</u>
Increase (Decrease) in net position	951,593	964,169
Beginning net position	3,008,829	2,044,660
Ending net position	<u><u>\$ 3,960,422</u></u>	<u><u>\$ 3,008,829</u></u>

CAPITAL ASSETS ADMINISTRATION

In February 2007 ESD #2 acquired all EMS related fixed assets from Canyon Lake Fire/EMS.

Investments in capital assets, net of accumulated depreciation, was \$1,434,184 at December 31, 2020. Capital assets include land, building and improvements, vehicles, and EMS equipment. The district acquired \$402,325 in new capital assets during the current year.

BUDGETARY HIGHLIGHTS

The Statement of Revenues, Expenditures and Changes in Fund Balances on page 11 indicates General Fund revenues exceeded expenditures by \$811,877 and the fund balance at the end of the year was \$2,440,481.

Actual revenues in 2020 were greater than budgeted amounts by \$338,618, due mainly to the conservative approach of budgeting property tax revenue with a 4% uncollectible rate. However, the county actually collects closer to a rate of 1%-2% of uncollectible revenue. Expenditures were under budget in 2020 by \$123,430.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The property tax rate was \$.08 per \$100 property valuation in 2019. The property tax rate for 2020 remained at \$.08 per \$100 property tax valuation.

CONTACTING THE ESD's FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact ESD #2 at P.O. Box 2140, Canyon Lake, Texas 78133.

The District entered into an interlocal service agreement with ESD #3 for a five-year period from 2020 to 2024 for ESD #3 to continue providing emergency medical transport services to the District. The details of the agreement are explained in Note F in the notes to the financial statements. The interlocal service agreement with ESD #3 will require that ESD #2 make monthly payments of \$219,363 to ESD #3 for providing services to the District for the year 2020.

BASIC FINANCIAL STATEMENTS

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,836,549
Cash with fiscal agent	1,807,794
Property tax receivable	1,925,899
Capital Assets, net of accumulated depreciation:	
Land	11,950
Building and improvements	57,682
Vehicles	739,129
Equipment	625,423
Total capital assets	1,434,184
Total assets	\$ 8,004,426
Liabilities	
Accounts payable	\$ -
Total liabilities	-
Deferred Inflow of Resources	4,044,004
Net Position	
Net investment in capital assets	1,434,184
Unrestricted	2,526,238
Total net position	\$ 3,960,422

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Emergency Services Function,	Governmental Activities
Expenses:	
Health & human services	3,218,704
General government	455,694
Total expenses	3,674,398
 General revenues:	
Property tax	3,722,313
Penalties and interest - delinquent taxes	29,404
Interest income	18,162
Patient fees	833,450
Building Rent	1,613
Miscellaneous revenue	21,049
Total general revenues	4,625,991
 Change in net position	 951,593
 Net position, beginning of year	 3,008,829
Net position, end of year	\$ 3,960,422

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2
BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2020**

Assets	
Cash and cash equivalents	\$ 2,836,549
Cash with fiscal agent	1,807,794
Property taxes receivable	<u>1,925,899</u>
Total assets	<u><u>\$ 6,570,242</u></u>
Liabilities :	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
Deferred Inflow of Resources-unavailable revenue-property taxes	<u>4,129,761</u>
Fund balances:	
Committed	1,355,983
Unassigned	<u>1,084,498</u>
Total fund balances	<u>2,440,481</u>
Total liabilities, deferred inflow of resources and fund balances	<u><u>\$ 6,570,242</u></u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

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

Fund balances of all governmental funds (Page 9)	\$ 2,440,481
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	85,757
Capital assets used in governmental activities are not spendable current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	<u>1,434,184</u>
Net position of governmental activities (Page 7)	<u><u>\$ 3,960,422</u></u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

Revenues:	
Property tax revenue	\$ 3,710,705
Penalties and Interest - delinquent taxes	29,404
Interest income	18,162
Patient fees	833,450
Building rental	1,613
Miscellaneous revenue	<u>21,049</u>
Total revenues	<u>4,614,383</u>
 Expenditures:	
General government	181,477
Health & human services	3,218,704
Capital outlay	<u>402,325</u>
Total expenditures	<u>3,802,506</u>
Excess revenues over expenditures	<u>811,877</u>
 Net change in fund balance	 811,877
 Fund balances, beginning of year	 <u>1,628,604</u>
Fund balances, end of year	<u>\$ 2,440,481</u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2020**

Net change in fund balances for all governmental funds (Page 11) \$ 811,877

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

Certain property tax revenues are deferred in the funds.
This is the change in these amounts this year. 11,608

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets are depreciated over their useful lives.

Expenditures for capital assets	402,325	
Current year's depreciation	<u>(274,217)</u>	<u>128,108</u>

Change in net position of governmental activities (Page 8) \$ 951,593

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

A. Summary of Significant Accounting Policies

The financial statements of Comal County Emergency Services District #2 (the "District") have been prepared in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of Directors ("Board"), a five-member group, has governance responsibilities over all activities related to emergency service operations within the jurisdiction of the District. The Board is appointed by the County of Comal, Texas and has the exclusive power and duty to govern. The District receives funding from local government sources and must comply with the requirements of those funding entities. However, the District is included in the County of Comal, Texas' financial statements as a component unit and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through property tax revenue, which is all recorded as general revenue.

The statement of activities presents a single function, emergency services. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are classified as general revenues include property tax, penalty and interest collected on delinquent taxes receivable, interest income, and other miscellaneous revenue.

Fund Financial Statements: The fund financial statements provide information about the District's major governmental fund:

General Fund: This is the District's operating fund. It accounts for all financial resources of the District.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected, except that property tax revenue is recognized in the year for which taxes have been levied. Revenues from local sources consist primarily of property taxes. Property tax revenue is recognized when received. 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. The District records deferred revenue for property taxes collected in advance of the tax year for which the taxes were levied. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

A. Summary of Significant Accounting Policies - continued

2. Basis of Presentation, Basis of Accounting - continued

b. Measurement Focus, Basis of Accounting - continued

Property taxes are levied October 1 on the assessed value listed as of the prior January 1 for all real and personal business property in conformity with Subtitle E of the Texas Property 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 1 each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Although the District's 2020 ad valorem taxes are levied on October 1, 2019, it is the District's policy to recognize revenue from the October 1 tax levy in the calendar year when the proceeds are budgeted and made available to the District's operations.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash in demand accounts, certificates of deposit, savings accounts, funds invested in the Texas Local Government Investment Pool, and other investments with an original maturity of 3 months or less.

4. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

5. Capital Assets

Capital assets are shown at original cost. It is the District's policy to capitalize capital asset expenditures that exceed \$1,000. Donated assets are valued at their fair market value on the date donated. Depreciation is calculated using the straight-line method and is based on useful lives of 7 to 39 years.

6. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheets. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District adopted the provisions of GASB #65 Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. At December 31, 2020, the District has \$4,044,004 deferred inflows of resources on the statement of net position, relating to ad valorem taxes that are received or reported as a receivable before the period for which property taxes are available. The District's financial reporting has been changed in conformity with the statement.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

A. Summary of Significant Accounting Policies - continued

7. Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits and Cash Equivalents:

At December 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$2,836,549 and the bank balance was \$2,835,109. The District's cash deposits at December 31, 2020 did not exceed the FDIC insurance. TexPool balances are backed by an external investment pool which is managed by the State Comptroller.

2. Investments:

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

3. Custodial Credit Risk

The District's investments are not categorized by level of risk assumed by the District because the District invests in money market accounts.

4. Interest Rate Risk

The District manages its interest rate risk by using certificates of deposit, but by policy other investments purchased may not have a maturity longer than one year from date of purchase.

5. Concentration of Credit Risk

The District diversifies its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

6. Credit Risk

The District's policy to manage credit risk is to invest in U.S. treasury or agency instruments, public funds investment pools, certificates of deposits, and money market accounts.

The District is not exposed to foreign currency risk.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

B. Deposits and Investments - continued

6. Credit Risk – continued

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general-purpose financial statements, disclosed one area of non-compliance, as discussed under "Custodial Credit Risk" on page 15.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District periodically invests in Certificates of Deposits with maturity dates not to exceed one year. The District did not have amounts invested in Certificates of Deposit at December 31, 2020.

C. Capital Assets

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

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 11,950	\$ -	\$ -	\$ 11,950
Capital assets being depreciated				
Building & improvements	189,632	-	-	189,632
Equipment	1,069,540	112,840	-	1,182,380
Vehicles	1,034,665	289,485	-	1,324,150
Total capital assets being depreciated	2,293,837	402,325	-	2,696,162
Less accumulated depreciation for:				
Building & improvements	(127,326)	(4,624)	-	(131,950)
Equipment	(421,008)	(135,949)	-	(556,957)
Vehicles	(451,377)	(133,644)	-	(585,021)
Total accumulated depreciation	(999,711)	(274,217)	-	(1,273,928)
Net assets being depreciated	1,294,126	128,108	-	1,422,234
 Total capital assets, net	 \$ 1,306,076	 \$ 128,108	 \$ -	 \$ 1,434,184

Depreciation expense in the amount of \$274,217 was charged to the function of emergency service operations.

D. General Government Expense

The general government expense of \$455,694 is the sum of the following categories of expenses:

Legal, accounting and professional services	\$ 10,315
General administration	115,205
Depreciation	274,217
Vehicle and equipment maintenance	55,957
	<u>\$ 455,694</u>

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

E. Fund Balance

The District adopted Governmental Accounting Standards Board Statement Number 54 (GASB 54) Fund Balance Reporting and Governmental Fund Type Definitions. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Five categories of cash balances were created and defined by GASB 54. These five categories are as follows:

- Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted - These funds are governed by externally enforceable restrictions.
- Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the Board). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned - For funds to be assigned, there must be an intended use which can be established by the Board or an official delegated by the Board, such as an administrator or finance director. For example, during the budget process, the Board decided to use some existing fund balance to support activities in the upcoming year.
- Unassigned - This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

At December 31, 2020 the District's Commissioners established the following classifications of fund balances:

	General Fund
	<hr/>
Committed	
Equipment	\$ 1,355,983
Unassigned	1,084,498
	<hr/> <u>\$ 2,440,481</u> <hr/>

F. Related Party Transactions

The District has executed an interlocal service agreement with ESD #3 for fiscal years 2020 through 2024 for emergency medical transport services to be provided by ESD #3 to the District, in part using EMS equipment and ambulances owned by the District. For 2020, the consideration paid by the District to ESD #3 for services was \$3,218,704.

G. Long-Term Liabilities

The district has no long-term liabilities at December 31, 2020.

The District incurred \$0 of interest expense for the year ended December 31, 2020, no interest was capitalized for the year.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

H. Subsequent Events

The District has evaluated subsequent events through June 25, 2021, the date which the financial statements were available to be issued. There are no subsequent events to be reported.

I. COVID-19

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

REQUIRED SUPPLEMENTARY INFORMATION

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ON A BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax revenue	3,500,570	3,500,570	3,710,705	210,135
Sundry other income	775,195	775,195	903,678	128,483
Total revenues	4,275,765	4,275,765	4,614,383	338,618
Expenditures:				
Capital outlay	439,637	439,637	402,325	37,312
General government	258,902	258,902	181,477	77,425
Health & human services	3,227,397	3,227,397	3,218,704	8,693
Total expenditures	3,925,936	3,925,936	3,802,506	123,430
Excess revenue over (under) expenditures	349,829	349,829	811,877	462,048
Fund balances, beginning of year	1,628,604	1,628,604	1,628,604	-
Fund balances, end of year - budgetary basis	\$ 1,978,433	\$ 1,978,433	\$ 2,440,481	\$ 462,048