

KENEDY COUNTY FIRE
& EMERGENCY SERVICES DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

Kenedy County Fire & Emergency Services District No. 1
 Annual Financial Report
 For The Year Ended December 31, 2020

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Financial Section

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P.O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

Independent Auditor's Report

To the Fire Chief and Fire Commissioners
Kenedy County Fire & Emergency Services District No. 1
Kenedy County
Sarita, Texas 78385

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenedy County Fire & Emergency Services District No. 1 ("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 Responsibilities for the Audit of the Financial Statements

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 District'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 District'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 Kenedy County Fire & Emergency Services District No. 1 as of December 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, identified as Required Supplementary Information in the table of contents 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenedy County Fire & Emergency Services District No. 1's basic financial statements.

Respectfully submitted,



John Womack & Co., P.C.
Kingsville, Texas
July 23, 2021

**KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

This section of the Kenedy County Fire & Emergency Service District #1's ("the District") annual financial report presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended in 2020 are as follows:

- The assets of the District, including deferred outflows of resources, exceeded its liabilities, including deferred inflows of resources, by \$1,416,597.
- Total assets, including total deferred outflows of resources, were \$2,174,152; total liabilities, including deferred inflows of resources were \$757,555
- The ratio of total assets to total liabilities for the District was 97.27 to 1.
- The District's quick ratio (current assets to current liabilities) was 52.96 to 1.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Government-wide financial statements

The basic financial statements include two kinds of statements that present different views of the District. The first two statements are *government-wide financial statements* that provide a broad overview of the District's overall financial status, in a manner similar to a private-sector enterprise. The *Statement of Net Position* presents information on all of 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.

Overview of the basic financial statements

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement 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 District 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 District include fire protection and emergency response services.

Fund financial statements

The remaining basic financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in more detail than the government-wide 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. There are three categories of funds that are typically used by state and local governments: governmental funds, proprietary funds, and fiduciary funds. The District utilizes only governmental funds in reporting the operations of the District. 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 statements, governmental fund financial statements focus on near-term uses 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 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 the comparison between governmental funds and governmental activities. The District maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is a major fund. The basic governmental fund financial statements can be found on pages 9-14 of this report.

Notes to the basic 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 basic financial statements can be found on pages 15-27 of this report.

Other information

The District adopts an annual appropriated budget only for its General Fund. A budgetary comparison schedule has been provided as a required supplementary schedule for the General Fund. In addition, a detailed revised budget to actual comparison schedule has also been provided for the General Fund. These schedules begin on page 28 of this report.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total net position totaled \$1,416,597 at the close of the year ending for 2020. Table 1 on the following page, provides a summary of the District's net position for the year ended in 2020.

Table 1
Net Position

	Governmental Activities		Percent Change
	2020	2019	
Assets			
Current and Other Assets	\$ 1,182,314	\$ 1,153,158	2.53%
Capital Assets	982,329	1,015,501	-3.27%
Net Pension Asset	<u>6,684</u>	<u>4,081</u>	63.78%
Total Assets	<u>2,171,327</u>	<u>2,172,740</u>	-0.07%
Deferred Outflows of Resources	<u>2,825</u>	<u>4,378</u>	-35.47%
Liabilities			
Current Liabilities	<u>22,323</u>	<u>17,677</u>	26.28%
Total Liabilities	<u>22,323</u>	<u>17,677</u>	26.28%
Deferred Inflows of Resources	<u>735,232</u>	<u>711,462</u>	3.34%
Net Position			
Net Investment in Capital Assets	982,329	1,015,501	-3.27%
Unrestricted	<u>434,268</u>	<u>432,478</u>	0.41%
Total Net Position	\$ <u><u>1,416,597</u></u>	\$ <u><u>1,447,979</u></u>	-2.17%

The decrease in capital assets of \$33,172, or 3.3%, was primarily due to increased depreciation, which more than offset the purchase of a brush truck. Total assets decreased \$1,413, or .07%, basically remaining stable from the prior year. Total liabilities increased \$4,646, or 26.3% due to an increase in the same amount in accounts payable in the current year.

Table 2
Changes in Net Position

	Governmental Activities		Percent Change
	2020	2019	
Revenues			
General Revenue			
Property Taxes	\$ 713,777	\$ 659,380	8.25%
Donations	2,000	148,775	100.00%
Investment Income	1,273	8,322	-84.70%
Miscellaneous	3,003	2,757	8.92%
Grants	<u>12,450</u>	<u>2,100</u>	492.86%
Total Revenue	<u>732,503</u>	<u>821,334</u>	-10.82%
Program Expense			
Fire Department	<u>763,884</u>	<u>732,676</u>	4.26%
Total Program Expense	<u>763,884</u>	<u>732,676</u>	4.26%
Increase (Decrease) in Net Position	(31,381)	88,658	-135.40%
Net Position, Beginning of Year	1,447,978	1,345,294	7.63%
Prior Period Adjustment	<u>-</u>	<u>14,027</u>	100.00%
Net Position, End of Year	<u>\$ 1,416,597</u>	<u>\$ 1,447,978</u>	-2.17%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The General Fund expenditures exceed revenues by \$8,886 due to a decrease of \$146,775 in contribution and donation revenue, which more than offset a \$70,143 decrease in public safety expenditures. The fund balance decreased from \$428,106 to \$419,219, for a 2.1% decrease.

General Fund Budgetary Highlights

The General Fund's net change for 2020 was \$8,886 of expenditures over revenues, which was an \$8,886 deficiency from the final budget, due to total expenditures being \$10,963 more than anticipated, which more than offset revenues that were \$2,077 greater than the final budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact

Kenedy County Fire and Emergency Services District #1
P.O. Box 221
Sarita, Texas 78385

Basic Financial Statements

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF NET POSITION

DECEMBER 31, 2020

	Governmental Activities
ASSETS:	
<i>Cash and Cash Equivalents</i>	\$ 882,885
<i>Receivables (net of allowances for uncollectibles):</i>	
<i>Property Taxes</i>	281,010
<i>Due from Other Governments</i>	18,419
<i>Internal Balances</i>	--
<i>Capital Assets (net of accumulated depreciation)</i>	982,329
<i>Net Pension Asset</i>	6,684
Total Assets	<u>2,171,327</u>
DEFERRED OUTFLOWS OF RESOURCES:	
<i>Deferred Resource Outflow Related to Pensions</i>	2,825
Total Deferred Outflows of Resources	<u>2,825</u>
LIABILITIES:	
<i>Accounts Payable and Other Current Liabilities</i>	12,327
<i>Due to Other Governments</i>	9,996
Total Liabilities	<u>22,323</u>
DEFERRED INFLOWS OF RESOURCES:	
<i>Deferred Revenues</i>	730,370
<i>Deferred Inflows Related to Pensions</i>	4,862
Total Deferred Inflows of Resources	<u>735,232</u>
NET POSITION:	
<i>Net Investment in Capital Assets</i>	982,329
<i>Unrestricted</i>	434,268
Total Net Position	<u>\$ 1,416,597</u>

The accompanying notes are an integral part of this statement.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Governmental Activities</u>
PRIMARY GOVERNMENT:			
Governmental Activities:			
<i>Public Safety</i>	\$ 763,884	\$ 12,450	\$ (751,434)
Total Governmental Activities	<u>763,884</u>	<u>12,450</u>	<u>(751,434)</u>
Total Primary Government	<u>\$ 763,884</u>	<u>\$ 12,450</u>	<u>(751,434)</u>
General Revenues:			
<i>Property Taxes</i>			713,777
<i>Donations</i>			2,000
<i>Miscellaneous Income</i>			3,003
<i>Unrestricted Investment Earnings</i>			1,273
<i>Transfers</i>			--
Total General Revenues and Transfers			<u>720,053</u>
Change in Net Assets			<u>(31,381)</u>
Net Position - Beginning			1,447,978
Net Position - Ending			<u>\$ 1,416,597</u>

The accompanying notes are an integral part of this statement.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

	General Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Assets:	
<i>Cash and Cash Equivalents</i>	\$ 882,886
<i>Receivables (net of allowances for uncollectibles):</i>	
<i>Property Taxes</i>	281,010
<i>Due from Other Governments</i>	18,419
Total Assets	<u>1,182,315</u>
Deferred Outflows of Resources:	
Total Assets and Deferred Outflows of Resources	<u>\$ 1,182,315</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:	
Liabilities:	
<i>Accounts Payable</i>	\$ 12,327
<i>Due to Other Governments</i>	9,996
Total Liabilities	<u>22,323</u>
Deferred Inflows of Resources:	
<i>Unearned Revenue</i>	740,773
Total Deferred Inflows of Resources	<u>740,773</u>
Fund Balances:	
Reserved Fund Balances:	
Unreserved	419,219
Total Fund Balance	<u>419,219</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,182,315</u>

The accompanying notes are an integral part of this statement.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2020

Total fund balances - governmental funds balance sheet	\$ 419,219
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	982,329
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	10,402
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	6,684
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(4,862)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>2,825</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,416,597</u>

The accompanying notes are an integral part of this statement.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund
Revenue:	
<i>General Property Taxes</i>	\$ 705,301
<i>Investment Earnings</i>	1,273
<i>Contributions and Donations</i>	2,000
<i>Grant Revenue</i>	12,450
<i>Miscellaneous Revenue</i>	3,003
Total revenues	<u>724,027</u>
Expenditures:	
Current:	
<i>Public Safety</i>	732,913
Total Expenditures	<u>732,913</u>
Net Change in Fund Balances	(8,886)
Fund Balances - Beginning	428,105
Fund Balances - Ending	<u>\$ 419,219</u>

The accompanying notes are an integral part of this statement.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020*

Net change in fund balances - total governmental funds	\$ (8,886)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	61,246
The depreciation of capital assets used in governmental activities is not reported in the funds.	(94,418)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	8,476
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	<u>2,201</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (31,381)</u>

The accompanying notes are an integral part of this statement.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

A. Summary of Significant Accounting Policies

The combined financial statements of Kenedy County Fire & Emergency Services District No. 1 (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

Kenedy County Fire & Emergency Services District #1 (The District), a political subdivision, operates under Chapter 77.5 of the VTCA Health & Safety Code. The District was established by an election held on May 9, 2009. However, the District did not incur any revenue or expenditures before October 1, 2009.

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

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. Eliminations been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 within sixty days after year-end, with the exception of property taxes which are deferred. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. Property tax revenues are levy was deferred in 2019 for use in the 2020 fiscal year, and was distributed to the General Fund. The 2020 tax rate was \$.068802 per \$100 valuation on an assessed value of \$1,073,182,268 of which \$459,762 was collected in 2020 and was deferred to the 2021 year.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes, and totaled \$0 in 2020 and 2019. Some uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The following table shows a schedule of delinquent taxes receivable and the allowance for uncollectible taxes for the District:

	Balance 12/31/19	Current Year Levy	Total Collections	Yearly Adjustments	Balance 12/31/20
Delinquent Taxes					
Receivable	\$ 295,236	\$ 738,370	\$ 752,596		\$ 281,010
Allowance for Uncollectible Taxes					--
Net Delinquent Taxes Receivable	<u>\$ 295,236</u>	<u>\$ 738,370</u>	<u>\$ 752,596</u>	<u>\$ --</u>	<u>\$ 281,010</u>

The District has a 99.99% collection rate; therefore, no allowance for uncollectable taxes has been provided for.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

d. 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.

e. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to or deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

f. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Fire Commission. Committed amounts cannot be used for any other purpose unless the Fire Commission removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Fire Commission. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Fire Commission or by an official or body to which the Fire Commission delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

4. Implementation of New Standards

The District has adopted all current GASB pronouncements that are applicable to its operations and activities. There are no new GASB Pronouncements pertaining to the District during fiscal year 2020.

New pronouncements not yet in effect as of December 31, 2020, are expected to have a significant impact on the District's financial position, results of operations, or cash flows. The District is currently studying these new pronouncements and will adopt them, as applicable, in subsequent fiscal years.

Future GASB Statement Implementations

GASB Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this Statement in fiscal year 2022 if applicable.

The District has not fully determined the effects that implementation of these statements will have on the District's financial statements.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Excess Expenditures over Appropriations	Review of budgeting procedures

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

3. 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 in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. 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.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Deposits:

At December 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$728,208 and the bank balance was \$728,208. The District's cash deposits at December 31, 2020 and during the year ended December 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments:

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.

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 that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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's investments at December 31, 2020 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texas Class	N/A	\$ 154,679
Total Investments		\$ <u>154,679</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At December 31, 2020, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Texas Class, Rated AAAM

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,000	\$ --	\$ --	\$ 6,000
Total capital assets not being depreciated	<u>6,000</u>	<u>--</u>	<u>--</u>	<u>6,000</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	897,467	8,406	--	905,873
Vehicles and Equipment	646,115	52,840	--	698,955
Total capital assets being depreciated	<u>1,543,582</u>	<u>61,246</u>	<u>--</u>	<u>1,604,828</u>
Less accumulated depreciation for:				
Buildings and improvements	(179,493)	(22,647)	--	(202,140)
Vehicles and Equipment	(354,588)	(71,771)	--	(426,359)
Total accumulated depreciation	<u>(534,081)</u>	<u>(94,418)</u>	<u>--</u>	<u>(628,499)</u>
Total capital assets being depreciated, net	<u>1,009,501</u>	<u>(33,172)</u>	<u>--</u>	<u>976,329</u>
Governmental activities capital assets, net	<u>\$ 1,015,501</u>	<u>\$ (33,172)</u>	<u>\$ --</u>	<u>\$ 982,329</u>

Depreciation was charged to functions as follows:

Public Safety	\$ 94,418
	<u>\$ 94,418</u>

E. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

F. Pension Plan

1. Plan Description

The District provides pension, disability, and death benefits for all of its full-time employees through a statewide, multiple-employer, public-employee retirement system through the Texas County and District Retirement System (the "TCDRS"). The system serves 677 actively participating counties and districts throughout Texas. Each employer has its own defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan. The TCDRS issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

All eligible employees of the District are required to participate in TCDRS.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. Benefits Provided

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 10 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms:

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	--
Inactive employees entitled to but not yet receiving benefits	--
Active employees	1
Total covered employees	<u>1</u>

3. Contributions

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

Employees for the District were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the District were 5.56% and 4.68% in calendar years 2019 and 2020, respectively. The District's contributions to TCDRS for the year ended December 31, 2020 were 2,808, and were equal to the required contributions.

4. Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	4.9% per year
Investment Rate of Return	8.1%

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Salary increases were based on a service-related table. Mortality rates for active members were based on the gender-distinct RP2000 Active Employee Mortality Table. Mortality rates for retirees and beneficiaries were based on the gender-distinct RP2000 Combined Mortality Table. The rates are projected on a fully generational basis by scale AA to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2013 through December 31, 2016. Assumptions are reviewed annually. No additional changes were made for the 2019 valuation.

Rate of Return

The long-term expected rate of return on pension plan investments is 8.0%.

The long-term expected rate of return on pension plan investments was determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultant, Cliffwater LLC. The numbers shown below are based on April 2020 information for a 7-10 year timeline.

Note that the valuation assumptions for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed	7.00%	5.20%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. There was no change in the discount rate since the previous year.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Changes in Net Pension Liability	Increase (Decrease)		
	\$ Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 21,865	\$ 25,945	\$ (4,080)
Changes for the year			
Service cost	6,240	--	6,240
Interest	2,223	--	2,223
Change of benefit terms	--	--	--
Difference between expected and actual experience	(253)	--	(253)
Changes of assumptions	--	--	--
Contributions - employer	--	2,835	(2,835)
Contributions - employee	--	3,570	(3,570)
Net investment income	--	4,256	(4,256)
Benefit payments, including refunds of employee contributions	(1,335)	(1,335)	--
Administrative expense	--	(27)	27
Other changes	--	179	(179)
Net changes	\$ 6,875	\$ 9,478	\$ (2,603)
Balance at 12/31/2019	\$ 28,740	\$ 35,423	\$ (6,683)

The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and for the year then ended.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the District, calculated using the discount rate of 8.1%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's net pension liability	\$ (3,748)	\$ (6,683)	\$ (9,173)

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the District recognized pension expense of \$607.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020*

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ --	\$ 4,359
Changes in actuarial assumptions	\$ 17	\$ --
Difference between projected and actual investment earnings	\$ 1,441	\$ 1,944
Contributions subsequent to the measurement date	\$ 2,808	
Total	<u>\$ 4,266</u>	<u>\$ 6,303</u>

2,808 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:	
2020	\$ (1,971)
2021	\$ (2,015)
2022	\$ (226)
2023	\$ (633)
2024	\$ --
Thereafter	\$ --

G. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at December 31, 2020.

H. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through July 23, 2021 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that requires additional disclosure:

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

I. Deferred Resources

Deferred resources at year end consisted of the following:

Revenue Description	Fund	Deferred Amount
Tax revenue deferred to next year	General	\$ 730,370
		<u>\$ 730,370</u>

J. Accumulated Vacation and Sick Leave Benefits

At December 31, 2020, the District had no liability for accrued sick leave or vacation leave.

K. Concentration of Risk

The District is located within Kenedy County, Texas, and derives approximately 99.9% of its revenue from property taxes and related penalties and interest. The District's top ten taxpayers have a taxable property value of \$882,096,417, or 82.2% of the total taxable value of \$1,073,182,268. It should be noted that seven of the top ten taxpayers are energy related. These are as follows:

Taxpayer	Taxable Value	Percent of Total Taxable Value
EON Energy-Stella WF	\$ 201,999,980	18.8%
Avangrid/Baffin Wind	184,014,170	17.1%
Avangrid/Penascal II	84,500,040	7.9%
Avangrid/Penascal I	81,700,000	7.6%
Pattern Gulf Wind I	75,000,000	7.0%
Headington Energy Partners LLC	72,366,980	6.7%
Valley Crossing Pipeline LLC	66,953,687	6.2%
AEP Electric Transmission of Texas LLC	60,099,750	5.6%
Union Pacific Railroad Company	33,455,780	3.1%
AEP Texas Inc	22,006,030	2.1%
Total Top Ten	<u>\$ 882,096,417</u>	<u>82.2%</u>
Total Taxable Value	<u>\$ 1,073,182,268</u>	<u>100.0%</u>

L. COVID-19

In November of 2019, the United States learned of the virus known as COVID-19. Over the last year, it has changed the dynamics of the economy including the New York Stock Exchange, which has remained volatile.

The District and its Commissioners have no control over these global and national events, except to try to guide the District through these conditions they present. These conditions may include, but may not be limited to:

1. Unstable economic environment
2. Potentially violent fluctuations in the stock market
3. Potential shortages of basic goods and services
4. Managing any loss of revenue and unexpected expenditures that may occur

As of the audit date, the District has had no material effect on the financial statements as a result of these conditions.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

EXHIBIT B-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>General Property Taxes</i>	\$ 713,750	\$ 713,750	\$ 705,301	\$ (8,449)
<i>Investment Earnings</i>	3,600	3,600	1,273	(2,327)
<i>Contributions and Donations</i>	--	--	2,000	2,000
<i>Grant Revenue</i>	2,100	2,100	12,450	10,350
<i>Miscellaneous Revenue</i>	2,500	2,500	3,003	503
Total revenues	<u>721,950</u>	<u>721,950</u>	<u>724,027</u>	<u>2,077</u>
Expenditures:				
Current:				
<i>Public Safety</i>				
Total Expenditures	<u>721,950</u>	<u>721,950</u>	<u>732,913</u>	<u>(10,963)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>--</u>	<u>(8,886)</u>	<u>(8,886)</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	--	--	(8,886)	(8,886)
Fund Balances - Beginning	428,105	428,105	428,105	--
Fund Balances - Ending	<u>\$ 428,105</u>	<u>\$ 428,105</u>	<u>\$ 419,219</u>	<u>\$ (8,886)</u>

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Plan Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 6,240	\$ 6,518	\$ 4,793	\$ 6,363	\$ 6,030	\$ 5,900
Interest (on the total pension liability)	2,223	2,112	1,635	1,128	730	234
Changes of benefit terms	--	--	--	--	(243)	--
Difference between expected and actual experience	--	(5,646)	(967)	(1,915)	(1,596)	6
Changes of assumptions	(253)	--	44	--	75	--
Benefit payments, including refunds of employee contributions	(1,335)	(1,334)	(1,335)	(667)	--	--
Net Change in Total Pension Liability	6,875	1,650	4,170	4,909	4,996	6,140
Total Pension Liability - Beginning	21,865	20,215	16,045	11,136	6,140	--
Total Pension Liability - Ending (a)	\$ 28,740	\$ 21,865	\$ 20,215	\$ 16,045	\$ 11,136	\$ 6,140
Plan Fiduciary Net Position						
Contributions - employer	\$ 2,835	\$ 2,428	\$ 2,220	\$ 2,329	\$ 3,328	\$ 2,218
Contributions - employee	3,570	2,975	2,613	2,252	3,217	2,145
Net investment income	4,256	(367)	2,420	827	(97)	17
Benefit payments, including refunds of employee contributions	(1,335)	(1,334)	(1,335)	(667)	--	--
Administrative expense	(27)	(21)	(15)	(9)	(6)	(2)
Other	179	123	47	640	(1)	--
Net Change in Plan Fiduciary Net Position	9,478	3,804	5,950	5,372	6,441	4,378
Plan Fiduciary Net Position - Beginning	25,946	22,142	16,192	10,820	4,379	--
Plan Fiduciary Net Position - Ending (b)	\$ 35,424	\$ 25,946	\$ 22,142	\$ 16,192	\$ 10,820	\$ 4,378
Net Pension Liability - Ending (a) - (b)	\$ (6,684)	\$ (4,081)	\$ (1,927)	\$ (147)	\$ 316	\$ 1,762
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	123.26%	118.66%	109.53%	100.92%	97.16%	71.30%
Covered Employee Payroll	\$ 51,000	\$ 42,500	\$ 37,333	\$ 32,167	\$ 45,963	\$ 45,963
Net Pension Liability as a Percentage of Covered Employee Payroll	-13.11%	-9.60%	-5.16%	-0.46%	0.69%	3.83%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

ENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

EXHIBIT B-3

	Fiscal Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,808	\$ 2,835	\$ 2,918	\$ 2,461	\$ 2,356	\$ 3,328	\$ 2,218
Contributions in relation to the contractually required contribution	(2,808)	(2,835)	(2,918)	(2,461)	(2,356)	(3,328)	(2,218)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 59,346	\$ 51,000	\$ 39,552	\$ 40,667	\$ 32,167	\$ 45,964	\$ 30,642
Contributions as a percentage of covered-employee payroll	4.73%	5.56%	7.38%	6.05%	7.32%	7.24%	7.24%

This schedule is presented to illustrate the requirement to show information for 10 years. However, if a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

KENEDY COUNTY FIRE & EMERGENCY SERVICES DISTRICT NO. 1

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020*

The basis of budgeting in the General Fund Budgetary Comparison Schedule is the same as Accounting Principles Generally Accepted in the United States of America (GAAP).

Texas County and District Retirement System

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	0.0 years
Asset valuation method	5 Year smoothed market; fund value
Inflation	2.75%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Retirement Age	Members can retire at ages 60 and above with 10 or more years service or with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit.
Mortality	RP2000 Active Mortality Table for males with a two-year set-forward and a four-year setback for females with the projection scale AA.
Other Information	There were no benefit changes during the year.