

**GONZALES COUNTY
EMERGENCY SERVICES DISTRICT NO. 2**

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2021**

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2021

DISTRICT OFFICIALS

PRESIDENT	GILBERT PHILIPPUS
VICE PRESIDENT	BRIAN SCHAUER.
SECRETARY/ TREASURER	JASON WHIDDON
ASSISTANT TREASURER	MORGAN BARRY BOOTHE
ATTORNEY	BURNS, ANDERSON, JURY & BRENNER, L.L.P.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

	PAGE
TITLE PAGE	
DISTRICT OFFICIALS	i
TABLE OF CONTENTS	ii

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	7
STATEMENT OF NET POSITION	8
STATEMENT OF ACTIVITIES.....	9
BALANCE SHEET.....	10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE.....	12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	13
NOTES TO BASIC FINANCIAL STATEMENTS.....	14
REQUIRED SUPPLEMENTARY INFORMATION.....	24
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND	25
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND	26



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

District Commissioners
Gonzales County Emergency Services District #2

Report on the Audit of the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the major fund of the Gonzales County Emergency Services District #2, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Gonzales County Emergency Services District #2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Gonzales County Emergency Services District #2's 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 controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 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 reasonable basis for our opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund of Gonzales County Emergency Services District #2, as of September 30, 2021, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information as listed in the Table of Contents 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 (GASB), 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.



Armstrong, Vaughan & Associates, P.C.

June 26, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Gonzales County Emergency Services District #2’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$116 thousand at September 30, 2021.
- The total cost of the District’s programs were \$966 thousand.
- The General Fund reported a fund balance this year of \$53 thousand.
- This is the first year the organization has prepared financial statements. No comparison data will be shown.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District’s Annual Financial Report

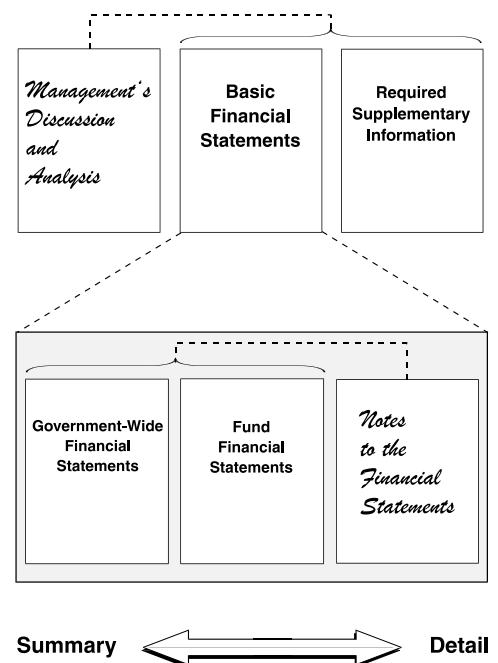


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements		
	Fund Statement	
<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net Position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. All of the District's basic services are included here, such as Emergency Services and general administration. Property taxes will finance most of these activities.

Fund Financial Statements

The District has the following kinds of funds:

- *Governmental funds*—All of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District’s combined net position was \$116 thousand at September 30, 2021. (See Table A-1).

Table A-1
Gonzales County Emergency Services District No. 1 Net Position

	Governmental Activities <u>2021</u>
Current assets:	
Cash	\$ 54,388
Property Tax Receivable	<u>67,075</u>
Total Assets	<u>121,463</u>
Current Liabilities	
Accounts Payable	<u>5,631</u>
Total Liabilities	<u>5,631</u>
Net Position:	
Unrestricted	<u>115,832</u>
Total Net Position	<u><u>\$ 115,832</u></u>

Changes in Net Position. The District’s total revenues were \$1.0 million. The District’s revenue comes from property taxes.

The total cost of all programs and services was \$966 thousand.

Governmental Activities

- Property tax rates were assessed at \$0.0269 per \$100 valuation.

Table A-2
Changes in District's Net Position

	Governmental Activities
	2021
General Revenues	
Property Taxes	\$ 1,008,558
Total Revenues	1,008,558
General Expenses	
Emergency Services	915,004
General Administration	50,807
Total Expenses	965,811
Increase (Decrease) in Net Position	42,747
Net Position at Beginning of year	5,272
Prior Period Adjustment	67,813
Net Position at End of Year	\$ 115,832

- The cost of all governmental activities this year was \$966 thousand, and were financed 100% through taxes.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$999 thousand, an increase of 6.7%.

General Fund Budgetary Highlights

Over the course of the year, the District did not revise its budget. Actual expenditures were \$14 thousand more than budget amounts. Emergency Services expenses were over budget due to the approval of higher than budgeted allocations for the year. Revenues were \$47 thousand more than budgeted amounts. Emergency Services revenues were over budget in the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The property tax rate for the fiscal year 2022 remained at \$0.03 per \$100 valuation. Appraised value used for the 2022 budget provides an anticipated revenue generation of \$965 thousand.
- General operating fund spending for 2022 was estimated at \$952 thousand or a 1.3% decrease over 2021 actual expenditures.

If the estimates are realized, the District's budgetary general fund balance is expected to increase by \$0 by the close of 2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Gonzales County Emergency Services District #2 citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Treasurer by phone at 860-857-3200.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
 - Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 54,388
Receivables (net of allowances for uncollectibles)	
Property Taxes	<u>67,075</u>
<i>Total Current Assets</i>	<u>121,463</u>
TOTAL ASSETS	<u>121,463</u>
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	<u>5,631</u>
<i>Total Current Liabilities</i>	<u>5,631</u>
TOTAL LIABILITIES	<u>5,631</u>
 NET POSITION	
Unrestricted	<u>115,832</u>
TOTAL NET POSITION	<u>\$ 115,832</u>

The accompanying notes are an integral part of these statements.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expenses), Revenues and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities:					
Emergency Services	\$ 915,004	\$ -	\$ -	\$ -	\$ (915,004)
General Administration	50,807	-	-	-	(50,807)
Total Governmental Activities	<u>965,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(965,811)</u>
Total Primary Government	<u>\$ 965,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(965,811)</u>
General Revenues:					
General Property Taxes					1,008,558
Total General Revenues					<u>1,008,558</u>
Change in Net Position					42,747
Net Position at Beginning of Year					5,272
Prior Period Adjustment					<u>67,813</u>
Net Position at End of Year					<u>\$ 115,832</u>

The accompanying notes are an integral part of these statements.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2021

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 54,388
Accounts Receivable, Net of Allowance for Uncollectible Property	67,075
TOTAL ASSETS	\$ 121,463
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
 <i>Liabilities:</i>	
Accounts Payable	5,631
<i>Total Liabilities</i>	5,631
 <i>Deferred Inflows of Resources:</i>	
Unavailable Property Tax Revenue	62,398
<i>Total Deferred Inflows of Resources</i>	62,398
 <i>Fund Balance:</i>	
Unassigned	53,434
<i>Total Fund Balance</i>	53,434
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 \$ 121,463

The accompanying notes are an integral part of these statements.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 53,434

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Property taxes receivable are not available to pay current period
expenditures and, therefore, are unavailable in the funds statements. 62,398

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 115,832

The accompanying notes are an integral part of these statements.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 998,602
TOTAL REVENUES	<u>998,602</u>
EXPENDITURES	
Current:	
Emergency Services	915,004
General Administrative	<u>50,807</u>
TOTAL EXPENDITURES	<u>965,811</u>
Net Change in Fund Balance	32,791
Fund Balance at Beginning of Year	5,272
Prior Period Adjustment	<u>15,371</u>
Fund Balance at End of Year	<u><u>\$ 53,434</u></u>

The accompanying notes are an integral part of these statements.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENT FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 32,791

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

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds. The
changes are as follows:

Property Taxes	9,956
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 42,747
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The accompanying notes are an integral part of these statements.

NOTES TO BASIC FINANCIAL STATEMENTS

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gonzales County Emergency Services District #2 is a political subdivision of the State of Texas and was created by the Gonzales County Commissioners' Court after a Public Election on November 15, 1963. The District was created to provide emergency services and promote public safety, welfare, health and convenience of persons residing in the District. The District is governed by a board of five commissioners who serve two-year terms and are appointed by the County.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

A. THE FINANCIAL REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, "The Financial Reporting Entity." The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there was no component units identified that would require inclusion in this report.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District. Governmental activities are supported primarily by property taxes.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds. The General Fund meets the criteria of a *major governmental fund*. The District has no other governmental funds.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2020, and became due October 1, 2020 have been assessed to finance the budget of the fiscal year beginning October 1, 2020.

Expenditures generally are recorded when they become due and payable.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the District and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes and investment of idle funds. Primary expenditures are for general administration and emergency services.

The District has no other funds.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the District.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. INVESTMENTS

State statutes authorize the District to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The District has all its monies in interest bearing checking accounts and savings accounts. Earnings from these investments are added to each account monthly or quarterly.

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for similar assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

F. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based on historical trends. The District has not established an allowance for uncollectible receivables as of September 30, 2021.

Property taxes are levied based on taxable value at January 1 and become due October 1 and past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property taxes receivable for prior year's levy is shown net of the allowance for uncollectible accounts.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

G. CAPITAL ASSETS

Capital assets, which include land; buildings and improvements; and equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined as assets with a cost of \$1,000 or more and have a useful live of greater than one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-7 Years
Vehicles	10 Years
Buildings	25-50 Years

Land is not depreciated.

Currently, the District has no Capital Assets.

H. UNAVAILABLE REVENUE

Property tax is recognized when they become both measurable and available in the fund statements. Available means when due or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is not expected to be available for the current period are reflected as deferred inflows. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as inflow of resource in the period the amount becomes available.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed – Represents amounts that can only be used for a specific purpose determined by a formal action of the government’s highest level of decision making authority. The District Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned – Represents amounts which the District intends to use for a specific purpose but do not meet the criteria of restricted or committed. The District Commissioners may make assignments through formal documentation in the minutes. The District Commissioners are the only entities that may make assignments at this time.

Unassigned – Represents the residual balance that may be spent on any other purpose of the District.

When expenditure is incurred for a purpose in which multiple classifications are available, the District considers restricted balances spent first, committed second, assigned third, and unassigned fourth.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

J. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. RECLASSIFICATIONS

Certain reclassifications have been made to the prior periods presented to conform to the current presentation. These reclassifications had no effect on fund equity.

NOTE 2 -- CASH AND CASH 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 pledge 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.

1. Cash & Certificates of Deposit

At September 30, 2021, the full bank balance was covered by federal deposit insurance. All of the District's cash were fully collateralized.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2021

NOTE 2 -- CASH AND CASH INVESTMENTS (CONT.)

2. 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 address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return.

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 basic financial statements disclosed that 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, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper. The District had no investments at September 30, 2021.

3. Analysis of Specific Deposits and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the 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 exposed to credit risk.

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

The 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 a concentration of credit risk.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2021

NOTE 2 -- CASH AND CASH INVESTMENTS (CONT.)

3. Analysis of Specific Deposits and Investment Risks (Cont.)

d. Interest Rate Risk

This is the risk that the 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 Rate

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

NOTE 3 -- AD VALOREM (PROPERTY) TAXES

The District has contracted with the Gonzales County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2021, the assessed tax rate for the District was \$0.0269 per \$100 on an assessed valuation of \$3,701,450,608, net of exemptions. Legally, the District may assess up to \$0.1000 per hundred on assessed valuations. Total tax levy for fiscal year 2021 was \$951,225. As of September 30, 2021, the current delinquent taxes for 2021 were \$14,633.

NOTE 4 -- RECEIVABLES

The following is a summary of the accounts receivable and the related allowances for uncollectible amounts:

Assets	Amount Receivable	Allowance for Uncollectible Accounts	Net Receivable
<i>Taxes:</i>			
Property Taxes	\$ 67,075	\$ -	\$ 67,075
Total	\$ 67,075	\$ -	\$ 67,075

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2021

NOTE 5 -- LITIGATION

The District is not aware of any pending or threatened litigation.

NOTE 6 -- RISK MANAGEMENT

The Gonzales County Emergency Services District #2 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To cover the risk the District contracts with Volunteer Firemen’s Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty. Contributions are set annually by VFIS. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2021 were \$2,187.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

Adjustments were made to restate the beginning fund balance for the year ended September 30, 2021 as follows:

	Government- Wide	General Fund
Beginning Fund Balance	\$ 5,272	\$ 5,272
Unrecorded Accounts Receivable	67,813	67,813
Unrecorded Unavailable Revenue	-	(52,442)
Restated, Beginning Fund Balance	\$ 73,085	\$ 20,643

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 951,529	\$ 951,529	\$ 998,602	\$ 47,073
TOTAL REVENUES	<u>951,529</u>	<u>951,529</u>	<u>998,602</u>	<u>47,073</u>
EXPENDITURES				
<i>Current:</i>				
Emergency Services	902,852	902,852	915,004	(12,152)
Administrative	48,677	48,677	50,807	(2,130)
TOTAL EXPENDITURES	<u>951,529</u>	<u>951,529</u>	<u>965,811</u>	<u>(14,282)</u>
Net Change in Fund Balance	-	-	32,791	32,791
Fund Balance - Beginning of Year	5,272	5,272	5,272	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>15,371</u>	<u>15,371</u>
Fund Balance - End of Year	<u>\$ 5,272</u>	<u>\$ 5,272</u>	<u>\$ 53,434</u>	<u>\$ 48,162</u>

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2021

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District’s Board and as such is a good management control device.

It is recommended that actual expenditures do not exceed appropriations. Actual expenditures did exceed appropriations for the year ended September 30, 2021. The Emergency Services exceeded budget by \$12,152 and the Administrative Expenditures exceeded the budget by \$2,130.

The District does not use encumbrances.