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MEMORANDUM

TO: Board of Commissioners of Gonzales County Emergency Services District #1

FROM: Chris Culak, Roloff, Hnatek & Company, L.L.P.

DATE: May 6, 2020

SUBJECT: Annual Financial Report

The following comments are related to the annual financial report of Gonzales County Emergency Services District #1 for the nine-month period ended September 30, 2019. Please contact me if you have any questions or would like me to attend a future board meeting to discuss any issues you may have.

As always, the audit went quite smoothly. The books and records of the District were in very good order. We truly appreciate all of the efforts of Mr. Rihn in ensuring the audit was performed as efficiently and thoroughly as possible. Please turn to the referenced page numbers of the audit report and note the following:

Pages 3 & 4: This is the auditors' opinion on the District's financial statements. The District once again received an "unmodified" opinion, meaning that we did not have to modify the opinion for any misstatements or improprieties. This is the highest level of assurance that we as auditors can provide on a set of financial statements.

Page 15: This is the District's balance sheet, which presents the assets, liabilities and fund balance of the District as of September 30, 2019. As you can see, the District's total assets were \$760,057 as of year-end, of which \$432,460 was held in cash and certificates of deposit (reported as Temporary Investments). The District had no liabilities as of year-end. The amount of \$142,402 presented as "Unavailable Revenue – Property Taxes" simply offsets the total property taxes receivable included in total assets as of year-end due to the fact that property taxes are not recognized as revenue until they are actually collected. The District ended the period with \$617,655 in fund balance, which represents the amount available for future spending as of September 30, 2019.

Page 17: This is the District's statement of revenues, expenditures and changes in fund balance for the nine months ended September 30, 2019. The most significant figure on this statement is the "Excess (Deficiency) of Revenues Over (Under) Expenditures" of \$265,626, which is the net decrease in fund balance resulting from the operations for the nine months ended September 30, 2019.

In addition to performing a financial audit, we also performed, as required by our auditing standards, tests of the District's compliance with certain state laws, and procedures to search for fraud. We are pleased to report that the results of those procedures indicated no compliance violations nor did we note any indications of fraudulent activity. This is the first audit for which we were not required to disclose any compliance violations, so we congratulate the District's Board for the efforts made during the period to reach full compliance. Thank you!

**GONZALES COUNTY EMERGENCY
SERVICES DISTRICT #1**

ANNUAL FINANCIAL REPORT

**NINE MONTHS ENDED
SEPTEMBER 30, 2019**

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
ANNUAL FINANCIAL REPORT
NINE MONTHS ENDED SEPTEMBER 30, 2019**

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Gonzales County Emergency Services District #1
Gonzales, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Gonzales County Emergency Services District #1, as of and for the nine months ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Gonzales County Emergency Services District #1 as of September 30, 2019, and the respective changes in financial position thereof, for the nine months 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 on pages 6 through 11 and the budgetary comparison on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods 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.

Roloff, Hnatek & Co., L.L.P.

Certified Public Accountants

April 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019**

This section of Gonzales County Emergency Services District #1's annual financial report presents our discussion and analysis of the District's financial performance during the nine months ended September 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$793,520 at September 30, 2019, a decrease of \$1,074,129, or 58%, from that of the year ended December 31, 2018.
- During the nine months ended September 30, 2019, the District's expenses were \$1,074,129 more than the \$169,292 generated in property taxes and interest for governmental activities.
- The general fund reported a fund balance as of September 30, 2019 of \$617,655, which is a decrease of \$265,626, or 30%, from that of the year ended December 31, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts -- *management's discussion and analysis* (this section) and the *basic 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 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.

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 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-1. Major Features of the District's Government-wide and Fund Financial Statements

<i>Features</i>	Government-wide Statements	Fund Statements Governmental Fund
<i>Scope</i>	Entire District's government	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balance
<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, and 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 Financial Statements

The government-wide financial 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

The government-wide financial statements of the District include the *governmental activities*. The District's basic emergency medical services are included here. Revenues from property taxes fund a majority of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's general fund. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- *Governmental fund* -- All of the District's basic services are included in its governmental fund, which focuses 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

One fundamental question that is most asked of an entity is, as a whole "Are you better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the District's activities in a way that should help answer this question. These two statements report the net position of the District and changes therein. The District's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) can be thought of as a way to measure the financial health of the District. Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating. However, you will need to consider other information that is non-financial in nature, such as changes in economic conditions, demographic information, mandated state and federal regulations, and new or changed government legislation.

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019**

Statement of Net Position

The statement of net position serves as a useful indicator over time of the District's financial position. It distinguishes assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as to their expected use for current operations and capital investment. The District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of the nine months ended September 30, 2019 by \$793,520. The following condensed statement of net position provides an overview of the District's net position as of September 30, 2019 and December 31, 2018.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019 - 2018</u>	<u>2019 - 2018</u>
Assets:				
Current Assets	\$ 760,057	\$ 1,867,649	\$ (1,107,592)	(59%)
Capital Assets, Net	33,463	-0-	33,463	N/A
Total Assets	<u>793,520</u>	<u>1,867,649</u>	<u>(1,074,129)</u>	<u>(58%)</u>
Net Position:				
Net Investment in Capital Assets	33,463	-0-	33,463	N/A
Unrestricted	760,057	1,867,649	(1,107,592)	(59%)
Total Net Position	<u>\$ 793,520</u>	<u>\$ 1,867,649</u>	<u>\$ (1,074,129)</u>	<u>(58%)</u>

A portion of the District's net position (\$33,463) reflects its investment in capital assets (e.g. vehicles, furniture and equipment). The remaining net position balance (\$760,057) is unrestricted and may be used to meet the District's ongoing obligations and contingencies.

Statement of Activities

The statement of activities serves as a measure to determine how successful the District was during the nine months in recovering its costs through charges for services and general revenues. The following condensed statement of activities summarizes the operations of the District for the nine months ended September 30, 2019 and the year ended December 31, 2018.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019 - 2018</u>	<u>2019 - 2018</u>
Revenues:				
General Revenues	\$ 169,292	\$ 1,448,423	\$ (1,279,131)	(88%)
Expenses:				
Emergency Medical Services	1,243,421	1,543,081	(299,660)	(19%)
Change in Net Position	<u>\$ (1,074,129)</u>	<u>\$ (94,658)</u>	<u>\$ (979,471)</u>	

The District's total revenues were \$169,292. A significant portion of the District's revenue comes from property taxes. The remaining portion comes from interest income. The total cost of all operations was \$1,243,421, a decrease of \$299,660, primarily due to a decrease in contracted emergency medical services. Operations for the nine months ended September 30, 2019 resulted in a decrease in net position of \$1,074,129.

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from the governmental fund type totaled \$1,011,258, a decrease from the year ended December 31, 2018 of \$343,311 primarily due to a decrease in property tax revenue. Expenditures from the governmental fund type totaled \$1,276,884, a decrease from the year ended December 31, 2018 of \$266,197, primarily due to a decrease in contracted emergency medical services.

General Fund Budgetary Highlights

The District did significantly amend its general fund budget during the year. Total actual revenues were \$1,734 more than the final budgeted amount due to property taxes being more than anticipated. Total actual expenditures were \$147,124 above final budget amounts due primarily to non-contracted emergency medical services being less than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of September 30, 2019 was \$33,463 (net of accumulated depreciation). This investment in capital assets includes vehicles, furniture and equipment. This amount represents a net increase (including additions, deletions, and depreciation expense) of \$33,463 from the year ended December 31, 2018. Additional information regarding the District's capital assets can be found in Note 4 to the financial statements. The following table summarizes the District's capital assets (net of accumulated depreciation) as of September 30, 2019 and December 31, 2018.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019 - 2018</u>	<u>2019 - 2018</u>
Vehicles, Furniture and Equipment	\$ 34,050	-0-	\$ 34,050	N/A
Accumulated Depreciation	(587)	-0-	(587)	N/A
Capital Assets, Net	<u>\$ 33,463</u>	<u>-0-</u>	<u>\$ 33,463</u>	N/A

Long-Term Debt

At year end the District had no long-term debt. The District does not anticipate any long-term borrowings in the near future.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The District adopted a tax rate for 2019 of \$.10 per \$100 in valuation to provide funds adequate to cover its anticipated expenditures for the year ending September 30, 2020. Based on preliminary estimates, the District does not expect a significant change in fund balance as a result of operations for the year ending September 30, 2020.

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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's Administrative Office.

BASIC FINANCIAL STATEMENTS

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 28,505
Temporary Investments	403,955
Advance to Gonzales County EMS	185,195
Property Taxes Receivable, Net	<u>142,402</u>
Total Current Assets	760,057
Capital Assets, Net	<u>33,463</u>
Total Assets	<u>793,520</u>
LIABILITIES	
Current Liabilities - None	<u>-0-</u>
Total Liabilities	<u>-0-</u>
NET POSITION	
Net Investment in Capital Assets	33,463
Unrestricted	<u>760,057</u>
Total Net Position	<u>\$ 793,520</u>

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF ACTIVITIES
NINE MONTHS ENDED SEPTEMBER 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues - Charges for Services</u>	<u>Net (Expense) Revenue and Change in Net Assets - Governmental Activities</u>
Governmental Activities:			
Emergency Medical Services	<u>\$ 1,243,421</u>	<u>\$ -0-</u>	<u>\$ (1,243,421)</u>
	General Revenues:		
	Property Tax Revenues		134,426
	Interest Income		13,042
	Miscellaneous Income		<u>21,824</u>
	Total General Revenues		<u>169,292</u>
	Change in Net Position		(1,074,129)
	Net Position, Beginning		<u>1,867,649</u>
	Net Position, Ending		<u>\$ 793,520</u>

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

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2019**

	<u>General Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 28,505
Temporary Investments	403,955
Advance to Gonzales County EMS	185,195
Property Taxes Receivable, Net	142,402
Total Assets	\$ 760,057
LIABILITIES	
Current Liabilities - None	
	\$ -0-
Total Liabilities	-0-
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	142,402
FUND BALANCE	
Unassigned	617,655
Total Fund Balance	617,655
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 760,057

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

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2019**

Fund Balance of Governmental Fund	\$ 617,655
Amounts reported for governmental activities in the statement of net position is different because:	
Taxes receivable on the statement of net position that do not provide current financial resources are reported as unavailable revenue in the governemntal funds.	142,402
Capital assets of \$34,050, net of accumulated depreciation of \$587, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>33,463</u>
Net position of governmental activities	<u>\$ 793,520</u>

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

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
NINE MONTHS ENDED SEPTEMBER 30, 2019**

	<u>General Fund</u>
Revenues:	
Property Taxes	\$ 976,392
Interest	13,042
Miscellaneous	21,824
 Total Revenues	 1,011,258
Expenditures:	
Current:	
Appraisal Services	30,860
Contract Emergency Medical Services	967,500
Dues	300
Emergency Medical Services - Non-Contracted	180,000
Insurance	4,871
Officer Compensation	3,120
Legal & Professional	19,696
Miscellaneous	2,104
Office Expense	902
Salaries & Related Benefits	26,203
Training & Continuing Education	1,726
Travel	5,098
Utilities	454
Capital Outlay	34,050
 Total Expenditures	 1,276,884
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (265,626)
 Fund Balance, Beginning of Year	 883,281
 Fund Balance, End of Year	 \$ 617,655

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

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
NINE MONTHS ENDED SEPTEMBER 30, 2019**

Net Change in Fund Balance - Governmental Fund \$ (265,626)

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

Current year capital outlay are expenditures in the fund financial statements, but they are shown as increases in capital assets on the government-wide financial statements. Also, the disposition of capital assets, if any, may increase or decrease net position. The net effect of including these reconciling items is to increase net position. 34,050

Depreciation is not recognized as an expenditure in the governmental funds since it does not require the use of current financial resources. The current year's depreciation decreases net position. (587)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property tax revenue resulted in a decrease in net position. (841,966)

Change in net position of governmental activities \$ (1,074,129)

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
NINE MONTHS ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Property Taxes	\$ 975,000	\$ 975,000	\$ 976,392	\$ 1,392
Interest	12,700	12,700	13,042	342
Miscellaneous	21,824	21,824	21,824	-0-
	<u>1,009,524</u>	<u>1,009,524</u>	<u>1,011,258</u>	<u>1,734</u>
Total Revenues				
Expenditures:				
Current:				
Appraisal Services	30,860	30,860	30,860	-0-
Contract Emergency Medical Services	967,500	967,500	967,500	-0-
Dues	300	300	300	-0-
Emergency Medical Services				
Non-Contracted	64,050	64,050	180,000	(115,950)
Insurance	4,871	4,871	4,871	-0-
Officer Compensation	3,120	3,120	3,120	-0-
Legal & Professional	19,696	19,696	19,696	-0-
Miscellaneous	2,384	2,384	2,104	280
Office Expense	902	902	902	-0-
Salaries & Related Benefits	28,799	28,799	26,203	2,596
Training & Continuing Education	1,726	1,726	1,726	-0-
Travel	5,098	5,098	5,098	-0-
Utilities	454	454	454	-0-
Capital Outlay	-0-	-0-	34,050	(34,050)
	<u>1,129,760</u>	<u>1,129,760</u>	<u>1,276,884</u>	<u>(147,124)</u>
Total Expenditures				
Excess of Revenues				
Over (Under) Expenditures	(120,236)	(120,236)	(265,626)	(145,390)
Fund Balance, Beginning of Year	<u>883,281</u>	<u>883,281</u>	<u>883,281</u>	<u>-0-</u>
Fund Balance, End of Year	<u>\$ 763,045</u>	<u>\$ 763,045</u>	<u>\$ 617,655</u>	<u>\$ (145,390)</u>

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 1: Reporting Entity

Gonzales County Emergency Services District #1 (the "District"), a political subdivision of the State of Texas, was created by the Gonzales County Commissioners' Court after an election held on May 6, 1989. The District was created to provide emergency services and promote public safety, welfare, health and convenience of citizens residing within the boundaries served by the District. The District is governed by a board of five commissioners who serve two-year terms. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there no component units included within the reporting entity.

As approved by the Board of Commissioners on May 16, 2019, the District changed its fiscal year end to September 30th. Consequently, the accompanying financial statements present the financial position as of September 30, 2019, and the respective changes therein for the nine months then ended.

Note 2: Summary of Significant Accounting Policies

The accounting and reporting policies of the District conform to generally accepted accounting principles, as applicable to governmental units. The following is a summary of such significant policies.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* are supported by charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues*, if any, include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Property taxes and interest income that are properly excluded from program revenues are reported instead as *general revenues*.

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.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Governmental fund financial statements are reported using the *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 to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures (if any), as well as expenditures related to compensated absences and claims and judgments (if any), are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

General Fund -- This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund, if applicable.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Property Taxes Receivable – 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.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. 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. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of September 30, 2019.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under the modified accrual basis of accounting. Unavailable revenues from property taxes are deferred and recognized as an inflow of resources in the period the amounts become available.

Property tax revenues are recognized when they become both measurable and available in the fund financial 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 revenues not expected to be available for the current period are reflected as unavailable revenue.

Budget Data – The District is required to adopt an annual budget. Amendments, if any, made during the year are required to be approved by the board.

Capital Assets – Capital assets purchased or acquitted are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The District’s policy is to capitalize interest costs incurred during construction. However, no construction costs were incurred in the nine months ended December 31, 2019. Other costs for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Vehicles, Furniture and Equipment	7-10 years
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Fund Balance Policy – In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), the District reports fund balances for governmental funds in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* classification, if any, represents assets that will be consumed or “must be maintained in tact” and, therefore, will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the Board of Directors.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 2: Summary of Significant Accounting Policies (Concluded)

Committed fund balance, if any, includes amounts that can only be used for specific purposes, and is reported pursuant to resolutions passed by the Board of Directors, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Directors.

Assigned fund balance, if any, includes amounts that the District intends to use for specific purposes, but that do not meet the definition of restricted or committed fund balance.

Unassigned fund balance includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

From time to time, the Board of Directors may commit or assign fund balances by a majority vote in a scheduled meeting. The Board's commitments and assignments may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the District does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board as applicable.

The Board of Directors may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action.

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. When the District incurs an expenditure or expense for which committed, assigned, or unassigned may be used, it is the District's policy to use committed, then assigned, and then unassigned.

Note 3: Cash and Temporary Investments

Cash Deposits -- At September 30, 2019, the carrying amount of the District's deposits (cash and certificates of deposit included in temporary investments) was \$432,460 and the bank balance was \$616,727. The District's cash deposits at September 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent banks in the District's name.

Temporary Investments -- Statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a.-2 Vernon's Civil Statutes).

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

Note 3: Cash and Temporary Investments (Continued)

Fair Value Measurements

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority,
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and
- Level 3 inputs which consist of other unobservable inputs and have the lowest priority.

The District uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 inputs are not available.

The District's investments as of September 30, 2019 consist entirely of certificates of deposit and are not subject to fair value measurements as follows:

<u>Investment or Investment Type</u>	<u>Reported Amount</u>
Certificate of Deposit	\$ 403,955

Generally accepted government accounting principles require 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.

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 3: Cash and Temporary Investments (Concluded)

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 significantly 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 significantly 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.

Note 4: Capital Assets

Capital asset activity for the nine months ended September 30, 2019, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Being Depreciated				
Vehicles	\$ -0-	\$ 15,260	\$ -0-	\$ 15,260
Furniture and Equipment	-0-	18,790	-0-	18,790
Total Capital Assets at Historical Cost	<u>-0-</u>	<u>34,050</u>	<u>-0-</u>	<u>34,050</u>
Less Accumulated Depreciation for:				
Vehicles	-0-	363	-0-	363
Furniture and Equipment	-0-	224	-0-	224
Total Accumulated Depreciation	<u>-0-</u>	<u>587</u>	<u>-0-</u>	<u>587</u>
Governmental Activities Capital Assets, Net	<u>\$ -0-</u>	<u>\$ 33,463</u>	<u>\$ -0-</u>	<u>\$ 33,463</u>

Depreciation expense was charged entirely to the emergency medical services for the nine months ended September 30, 2019.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 5: Contract Emergency Medical Services

The District contracts with Gonzales County Emergency Medical Services (GCEMS) to provide emergency medical services to the citizens that reside within the boundaries of the District. This agreement renews on October 1st of each year. The contract for the period January 1, 2019 through September 30, 2019 required monthly payments of \$107,500. The District also committed to purchases of capital assets not to exceed \$50,000. In addition, the District's Board of Commissioners approved additional payments to the GCEMS during the nine months ended September 30, 2019 totaling \$180,000. During September 2019, the contract was extended through April 2020, at which time GCEMS merged with the District (see Note 8 below).

Note 6: Significant Taxpayer

The District's largest taxpayer accounted for approximately 25% of the total 2018 assessed value for property tax purposes. No delinquent amounts from this taxpayer existed as of September 30, 2019. No other individual taxpayer accounted for more than 2% of the total assessed value for property tax purposes.

Note 7: Advance to Gonzales County Emergency Medical Services

As approved by the District's Board of Commissioners, the District advanced \$185,195 to Gonzales County Emergency Medical Services (GCEMS) to provide funds needed for the operating expenditures of GCEMS. The advanced funds were recognized as an expenditure in October 2019.

Note 8: Merger of Gonzales County Emergency Services District #1 and Gonzales County Emergency Medical Services

As approved by the District's Board of Commissioners and the Board of Directors of Gonzales County Emergency Medical Services (GCEMS), the District took control of the operations of the GCEMS in April 2020. All assets, liabilities and equity of GCEMS as of the date of the merger were transferred to the District.

