

ANNUAL FINANCIAL REPORT

OF

VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2

FOR THE

FISCAL YEAR ENDED

SEPTEMBER 30, 2023



**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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INTRODUCTORY SECTION

Board Members
Van Zandt County Emergency Services District No. 2
Fiscal Year Ended September 30, 2023

Bobby Colacino	President
Steve Erwin	Vice President
Lance Mayhugh	Secretary
John David Savage	Treasurer
Jeremy Gunnels	Board Member

FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

(903) 269-6211
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Van Zandt County Emergency Services District, No. 2
P.O. Box 7
Grand Saline, Texas 75140

Members of the Board of Directors:

Opinions

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Zandt County Emergency Services District, No. 2 as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Van Zandt County Emergency Services District, No. 2's basic financial statements as listed in the table of contents.

In my 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 Van Zandt County Emergency Services District, No. 2 as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Van Zandt County Emergency Services District, No. 2, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Van Zandt County Emergency Services District, No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions.

Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Van Zandt County Emergency Services District, No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Van Zandt County Emergency Services District, No. 2's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement that basis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Respectfully Submitted,

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas
August 21, 2024

VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

As management of the Van Zandt County Emergency Services District No. 2 ("ESD"), we offer readers of the ESD's financial statements this narrative overview and analysis of the financial activities of the ESD for the fiscal year ended September 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the ESD's financial statements, which follow this narrative.

Financial Highlights

- The assets of the ESD exceeded its liabilities at the close of the fiscal year by \$839,761 (net position). Of this amount, \$627,120, or 75% is considered unrestricted and may therefore be used to meet the ESD's on-going obligations to residents and creditors. \$212,641, or 25%, is invested in capital assets, net of related debt, which does not directly generate revenue and is not available for future spending.
- The ESD's total net position increased \$72,100, or 15%, for the fiscal year.
- As of the close of the current fiscal year, the ESD's governmental funds reported an ending fund balance of \$613,754. This total amount of \$613,754 is available for spending at the ESD's discretion (unassigned fund balance).
- As of September 30, 2023, the unassigned fund balance for the General Fund of \$613,754 represents approximately 363% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Van Zandt County Emergency Services District No. 2's basic financial statements. The ESD's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the ESD through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the ESD.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2023**

Capital Assets - The ESD's investment in capital assets for its governmental activities, as of September 30, 2023, totals \$212,641 (net of accumulated depreciation).

**Van Zandt County Emergency Services District No. 2
Capital Assets
as of September 30, 2023
(net of accumulated depreciation)**

	Governmental 2023
Machinery & Equipment	<u>\$ 212,641</u>
Total	<u>\$ 212,641</u>

More detailed information about the ESD's capital assets is presented in Note D to the financial statements.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2023**

Financial Analysis of the ESD's Funds

As noted earlier, the Van Zandt County Emergency Services District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the ESD's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the ESD's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending.

The General Fund is the only fund of the ESD and reported an ending fund balance of \$613,754, which is a 15% increase in comparison to the prior year's total ending fund balance.

General Fund Budgetary Highlights: Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

During the 2021 fiscal year, revenues were more than budgeted.

Requests for Information

This report is designed to provide a general overview of the ESD's finances for those with an interest in the ESD's finances. Questions concerning any of the information provided in this report or requests for financial information should be addressed to the Van Zandt County Emergency Services District No. 2, P.O. Box 7, Grand Saline, Texas 75140.

BASIC FINANCIAL STATEMENTS

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 600,837
Receivables (net of allowance for uncollectibles)	13,366
Capital assets, net of accumulated depreciation:	
Machinery & equipment	212,641
Total Assets	<u>839,761</u>
LIABILITIES	
Accounts payable	-
Total Liabilities	<u>-</u>
NET POSITION	
Net investment in capital assets	212,641
Unrestricted	627,120
Total Net Position	<u>\$ 839,761</u>
Total Liabilities and Net Position	<u>\$ 839,761</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Revenues			Net (Expense) Revenue & Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Function/Program Activities					
Primary Government					
Governmental Activities:					
Administrative Services	202,222	-	-	-	(202,222)
Total Governmental Activities	<u>\$ 202,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (202,222)</u>

General Revenues:	
Property Taxes	\$ 269,702
Misc Revenue	300
Investment Income	4,320
Total General Revenues	<u>274,322</u>
Change in Net Position	72,100
Net Position - beginning	767,661
Net Position - ending	<u>\$ 839,761</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 600,837
Receivables (net of allowances for uncollectibles)	<u>13,366</u>
Total Assets	<u><u>627,120</u></u>
LIABILITIES	
Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenues - Property Taxes	<u>13,366</u>
Total Deferred Inflows of Resources	<u>13,366</u>
FUND BALANCE	
Unassigned	<u>613,754</u>
Total Fund Balance	<u>\$ 613,754</u>
Total Liabilities and Fund Balance	<u><u>\$ 627,120</u></u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Total fund balance - governmental funds balance sheet \$ 613,754

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 492,726

Accumulated depreciation is not included in the governmental fund financial statements. (280,085)

Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide statement. 13,366

Net position of governmental activities - statement of net assets \$ 839,761

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>General Fund</u>
REVENUE	
Property Taxes	\$ 269,910
Miscellaneous income	300
Total Revenues	<u>270,210</u>
EXPENDITURES	
Current:	
Contracted Services	3,030
Professional Services	570
Administrative Services	165,350
Capital Outlay	-
Total Expenditures	<u>168,950</u>
Excess (deficiency) of revenues over (under) expenditures	101,260
OTHER FINANCING SOURCES (USES)	
Interest Income	4,320
Total Other Financing Sources (uses)	<u>4,320</u>
Net Change in Fund Balance	105,580
Fund Balance, October 1	508,174
Fund Balance, September 30	<u>\$ 613,754</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balance - total governmental funds \$ 105,580

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

Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the capital outlays is to increase net position. -

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. (33,272)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements. (208)

Change in net position of governmental activities - statement of activities \$ 72,100

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes (including P&I)	\$ 285,600	\$ 285,600	\$ 269,910	\$ (15,690)
Grant Proceeds	-	-	300	300
Total Revenues	<u>285,600</u>	<u>285,600</u>	<u>270,210</u>	<u>(15,390)</u>
EXPENDITURES				
Current:				
Contracted Services	5,000	5,000	3,030	1,970
Professional services	12,500	12,500	570	11,930
Administrative Services	213,100	213,100	165,350	47,750
Capital Outlay	55,000	55,000	-	55,000
Total Expenditures	<u>285,600</u>	<u>285,600</u>	<u>168,950</u>	<u>116,650</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	101,260	101,260
Other Revenues and Financing Sources (Uses)				
Interest Income	-	-	4,320	4,320
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4,320</u>	<u>4,320</u>
Net Change in Fund Balance	-	-	105,580	105,580
Fund Balances/Equity, October 1	<u>508,174</u>	<u>508,174</u>	<u>508,174</u>	
Fund Balances/Equity, September 30	<u>\$ 508,174</u>	<u>\$ 508,174</u>	<u>\$ 613,754</u>	

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Van Zandt County Emergency Services District No. 2 ("ESD") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the ESD are described below.

1. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund. Significantly, the ESD's Statement of Net Position includes both noncurrent assets and noncurrent liabilities.

In addition to the government-wide financial statements, the ESD has prepared fund financial statements, which uses the modified accrual basis of accounting and a current financial resources measurement focus.

Management's Discussion and Analysis provides an analytical overview of the ESD's financial activities.

2. Reporting Entity

The ESD was established in 2007, and is a special district governed by a five-member board, which has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the ESD is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations are Component Units."

The accounting and reporting policies of the ESD, relating to the funds included in the accompanying basic financial statements, conform to accounting principles generally accepted in the United States of America, applicable to state and local government. Generally accepted accounting principles for local governments include those principles prescribed by the GASB and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*. The more significant accounting policies of the ESD are described below:

Under GASB Statement No. 14, component units are organizations for which the ESD is financially accountable and all other organizations for which the nature and significance of their relationship with the ESD are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the ESD appoints a voting majority of an organization's governing board and is either able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the ESD. The ESD may be financially accountable to other governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the ESD. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, 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 separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units is entitled to, or has the ability to otherwise access, are significant to the primary government.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Reporting Entity (continued)

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be considered a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

Based upon the application of these tests, the ESD does not have any discretely presented or blended component units. The Van Zandt County Emergency District No. 2 is not a component unit of any other reporting entity as defined by the GASB Statement.

a. Basis of Presentation

The basic financial statements include both government-wide (based on the ESD as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) reports information on all of the ESD's primary government entities. Governmental activities are supported by taxes and intergovernmental revenues.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (i.e., administrative services, emergency services, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable within specific functions or programs. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The fund financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The ESD's major governmental fund is the General Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses) for the determination of major funds.

When both restricted and unrestricted resources are available for use, the ESD uses restricted funds first, then unrestricted resources as they are needed.

b. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included within the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Measurement Focus, Basis of Accounting (continued)

Governmental fund level 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. For this purpose, the ESD 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, as well as expenditures related to claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end, as required by GASB Interpretation No. 6.

Ad valorem taxes associated with the current fiscal period are considered to be susceptible to accrual, and so have 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 ESD reports the following major fund category:

Governmental Funds:

Governmental funds are those through which most governmental functions of the ESD are financed. The acquisition, use, and balances of the ESD's expendable financial resources, and the related liabilities, are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Fund of the ESD:

- a. The General Fund is the operating fund of the ESD. This fund is used to account for all financial resources. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs are paid from the General Fund.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The ESD's cash and cash equivalents are considered to be cash on hand and demand deposits.

b. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real personal property located in the Van Zandt County Emergency District No. 2. Assessed value represents the appraisal value, less applicable exemptions authorized by the board. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1, immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years, however, the ESD may, at its own expense, require annual reviews of appraisal values. The ESD may challenge appraised values established by the appraisal district through appeals, and if necessary, take legal action. Under this legislation, the ESD continues to set tax rates on ESD property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the ESD may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

b. Property Taxes (continued)

The statutes of the State of Texas limit the ad valorem tax rate of emergency services districts to \$.10 per \$100 assessed value. The ESD's tax rate for this reported fiscal year was in compliance at a rate of \$0.053.

c. Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure, purchased or acquired, are reported in the government-wide financial statements. The ESD defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed assets are recorded at fair market value, as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Capital assets will be depreciated using the straight-line method using the following estimated lives.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Machinery and Equipment	7-20 years

d. Fund Equity

In the fund financial statements, the General Fund reports fund balance as nonspendable, restricted, committed, (assigned or unassigned) based primarily on the extent to which the ESD is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - includes amounts not in spendable form, such as inventory or amounts required to be maintained intact legally or contractually (principal endowment).
- *Restricted fund balance* - includes amounts constrained for a specific purpose by external parties (e.g. Debt Service, Capital Projects, State and Federal Grant Funds).
- *Committed fund balance* - includes amounts constrained for a specific purpose by the board using its highest level of decision making authority (e.g. Major Maintenance, Capital Replacement Reserve, Land, etc). Commitments may be changed or lifted only by the board taking the same formal action that originally imposed the constraint.
- *Assigned fund balance* - includes general fund amounts constrained for a specific purpose by the board. Assignments of fund balance are much less formal than commitments.
- *Unassigned fund balance* - is the residual classification for the general fund. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

e. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. There were no restricted assets in the current fiscal year.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

f. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The ESD has no item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The ESD has no item that qualifies for reporting in this category.

g. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. The ESD has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bond issuance costs are expensed in the current period, when applicable. The ESD has no debt as of September 30, 2023.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are expensed in the current period, when applicable. The ESD has no debt as of September 30, 2023.

h. Net Position Flow Assumption

Sometimes the ESD will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the ESD's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

i. Fund Balance Flow Assumption

Sometimes the ESD will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted committed, assigned or unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources considered are to be applied. It is the ESD's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

j. Use of Estimates

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

k. Program Expenses

Certain indirect costs, such as administrative costs, are included in the program expense reported for individual functional activities.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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>
None reported	Not applicable

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>
None reported	Not applicable

3. Budgetary Data

The ESD will adopt a budget of governmental fund types on a basis consistent with GAAP each fiscal year.

C. DEPOSITS AND INVESTMENTS

Cash Deposits

At September 30, 2023, the carrying amount of the ESD's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$600,837 and the bank balance was \$613,754. The ESD's cash deposits at September 30, 2023, and during the year ended September 30, 2023, were not entirely covered by FDIC or pledged securities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Public Funds Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance, less the FDIC insurance, at all times. As of September 30, 2023, the ESD's deposits were entirely covered by FDIC.

**VAN ZANDT COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

D. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2023 were as follows:

	<u>Beginning Balances</u>	<u>Transfers</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets, being depreciated:					
Machinery & Equipment	492,725	-	-	-	492,725
Total capital assets being depreciated	492,725	-	-	-	492,725
Less accumulated depreciation for:					
Machinery & Equipment	(246,812)	-	(33,272)	-	(280,084)
Total accumulated depreciation	(246,812)	-	(33,272)	-	(280,084)
Total capital assets, being depreciated, net	245,913	-	(33,272)	-	212,641
Governmental activities capital assets, net	\$ 245,913	\$ -	\$ (33,272)	\$ -	\$ 212,641

E. INSURANCE COVERAGE

In accordance with state statute, the ESD was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas, in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$3,000,000 and for aggregate loss.

F. LITIGATION

The ESD is not aware of any pending or threatened litigation at year-end.

G. SUBSEQUENT EVENTS

The ESD has evaluated all events or transactions that occurred after September 30, 2023, up through August 21, 2024, the date the financial statements were available to be issued. Based on this evaluation, no significant subsequent events were noted.