



**NUECES COUNTY EMERGENCY SERVICES  
DISTRICT #2**

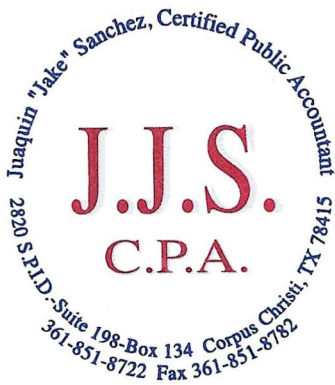
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED AUGUST 31, 2021**

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**Year Ended August 31, 2021**

Table of Contents

	Page
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
Statement of Net Position/Government Fund Balance Sheet .....	7
Reconciliation of Net Position of Governmental Activities .....	8
Statement of Activities/Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances.....	9
Reconciliation of Statement of Activities to Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds .....	10
Statement of Revenues on Expenditures and Changes in Fund Balances- Budget and Actual.....	11
Notes to Financial Statements.....	13



**J U A Q U I N “ J A K E ” S A N C H E Z**  
*C e r t i f i e d P u b l i c A c c o u n t a n t*

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**UNMODIFIED OPINION ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Nueces County Emergency Services District #2  
Corpus Christi, TX

I have audited the accompanying financial statements of the governmental activities and each major fund, of Nueces County Emergency Services District #2 as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

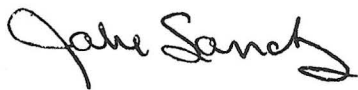
***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of Nueces County Emergency Service District #2, as of August 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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 comparison information on pages 3 through 6 and page 11 and 12 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. 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.



Juaquin "Jake" Sanchez  
CERTIFIED PUBLIC ACCOUNTANT

May 6, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MISSION STATEMENT

OUR MISSION IS TO SERVE THE NEEDS OF THE PUBLIC EFFICIENTLY AND EFFECTIVELY, WHILE ENSURING THAT ALL MEMBERS OF THE EMERGENCY SERVICES DEPARTMENT OPERATE WITH A COMMON SET OF WORK VALUES.

Management of the Nueces County Emergency Services District #2 offers to readers of the District's financial statements this narrative overview and analysis of the financial activities of the District during the fiscal year ended August 31, 2021. We encourage readers to consider the information presented here in conjunction with the audited financial statements taken as a whole, the notes to the financial statements, and other supplementary information presented.

### FINANCIAL HIGHLIGHTS

The District's net position at August 31, 2021, amounted to \$842,053, is comprised of Undesignated \$431,004 and Investment in Capital Assets \$411,049. The \$842,053 results from the difference between total assets of \$1,340,607 and total funded liabilities of \$498,554. The undesignated net position may be used to meet the District's ongoing obligations to citizens in accordance with its policies.

The District's net position decreased by \$125,984 from operating activities during fiscal year ended August 31, 2021.

- Current assets total \$474,013 and primarily consist of \$417,603 in cash and cash equivalents.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The purpose of the statement is to enhance the understandability and usefulness of the general-purpose external financial reports of state and local governments primarily for the following user groups:

*Citizens* – Those to whom the District is primarily accountable, including intermediaries such as media, advocacy groups, and public finance researchers.

*Legislative and oversight bodies* – Those who directly represent the citizens, including governing Districts and agencies that make oversight decisions.

*Investors and creditors* - Those who lend or participate in the lending process.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BASIC FINANCIAL STATEMENTS

The District issues two basic financial statements and related notes to the financial statements:

1. Statement of Net Position
2. Statement of Activities/ Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances.

These statements are presented using the economic resources measurement focus and the accrual basis of accounting similar to the way private sector businesses present their financial information. The District is structured as a single enterprise with revenues recognized in the financial statement when both earned and measurable, not when actually received in cash. Expenses are recognized when they are incurred, not when they are paid.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two being reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase in liabilities have a similar effect on the net position and, thus, improve the financial position of the District. The presentation of net position also distinguished between restricted and unrestricted assets of the District.

The Statement of Activities/ Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances accounts for all the current year's revenue and expense activities. This statement measures the District's operation and can also be used to determine whether the District has successfully recovered all of its costs through payments of property taxes received and other payments to the District. This statement can also serve as a basis for creditworthiness.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes should be read as an integral part of the financial statements.

### ***FINANCIAL ANALYSIS OF THE DISTRICT***

The first of two statements reviewed is the statement of Net Position. The District's net position provides one indicator of the financial position and overall health of the organization. The net position is presented in two components: (1) those invested in capital assets and (2) those currently unreserved and internally designated by District's policy. It is important to understand that the unreserved net position is not idle assets without a purpose attached to them. Instead, these assets should be understood as funds that currently do not meet the criteria for restricted net position or invested in capital assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The District internally designates most of these unrestricted net position for specific operations or for specific uses in the future. The District's long-range financial projections provide a more in-depth forecast of the planned uses of these funds over the future.

### CONDENSED SUMMARY OF NET POSITION:

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 474,013	\$ 508,217
Capital Assets, net of accumulated depreciation	<u>866,594</u>	<u>958,054</u>
Total Assets	<u>\$1,340,607</u>	<u>\$1,466,271</u>
Current liabilities	\$ 43,009	\$ 18,344
Long term Liabilities	<u>455,545</u>	<u>479,890</u>
Total Liabilities	\$ <u>498,554</u>	\$ <u>498,234</u>
Net Position		
Unrestricted	\$ 431,004	\$ 489,873
Investment in capital assets	<u>411,049</u>	<u>478,164</u>
Net Position	\$ <u>842,053</u>	\$ <u>968,037</u>

The largest portion of the District's total net position reflects an investment in land and buildings. The District uses these assets for the purpose of achieving its mission.

### Condensed Summary of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Operating Revenues	\$ 29,483	\$ 48,948
Non-Operating Revenues:		
Property Tax Income	1,091,527	1,079,348
Investment Income	970	4,663
Intergovernmental	<u>-</u>	<u>-</u>
Total Revenues	\$ 1,121,980	\$ 1,132,959
Expenses:		
Operating Expenses	<u>1,247,964</u>	<u>1,165,146</u>
Change in Net Position	(125,984)	(32,187)
Other Financing		
Other Sources	-	-
Net Position, Beginning of year	<u>968,037</u>	<u>1,000,224</u>
Net Position, End of year	\$ <u>842,053</u>	\$ <u>968,037</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSET ACTIVITIES

During the fiscal year, the District had major capital asset activity. The \$53,645 reported as purchase of fixed assets includes major equipment purchases. Major equipment purchases consist of a (1) 2020 Ford Pickup truck and (1) 2019 Car Hauler Trailer. The \$86,650 reported as deletions includes major equipment that was removed from the depreciation schedule that were purchased in prior years and were below the District's \$5,000 capitalization threshold.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

#### Budget Analysis

Revenue Exceeded Budget by      \$ 17,163

Expenses Exceeded Budget by      65,629

Net Deficit                              \$ (48,466)

Major expenditure excess is due to payroll overtime, equipment and materials, uniforms, and maintenance and repairs.

In the fiscal 2021 budget, the District conservatively estimated property tax levels consistent with twelve months that were certain at the time budget was prepared

#### COVID -19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. The District's fiscal budget will be affected by unbudgeted expenses due to COVID-19. The costs were incurred by purchasing additional medicines, disinfectants, personal protective devices and labor to fully maintain the medical vehicles, equipment and supplies in an upmost germ-free manner for the safety of medical personnel and patients.

### REQUEST FOR INFORMATION

This financial report is designed to provide overview of the District's finances for those with an interest in its finances. Questions concerning why of the information in this report or requests for additional information should be addressed to Nueces County Emergency Services District #2, 337 Yorktown Blvd., Corpus Christi, TX 78418.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**STATEMENT OF NET POSITION/GOVERNMENT FUND BALANCE SHEET**  
**AUGUST 31, 2021**

	Statement of Net Position	Adjust	Govt Fund
<b>ASSETS</b>			
Cash	\$ 417,603	\$ -	\$ 417,603
Taxes Receivable	30,557	-	30,557
Prepaid Expense	25,853	-	25,853
Capital Assets net of Acc. Depr.	<u>866,594</u>	<u>(866,594)</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,340,607</u>	<u>\$ (866,594)</u>	<u>\$ 474,013</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 33,539	\$ -	\$ 33,539
Accrued Expense	9,470	-	9,470
Deferred Revenue	-	30,557	30,557
Notes Payable			
Portion due within 1 year	74,269	(74,269)	-
Portion due after 1 year	<u>381,276</u>	<u>(381,276)</u>	<u>-</u>
<b>Total Liabilities</b>	<u>\$ 498,554</u>	<u>\$ (424,988)</u>	<u>\$ 73,566</u>
<b>NET POSITION</b>			
Undesignated	\$ 431,004	\$ (30,557)	\$ 400,447
Investment in Capital Assets	<u>411,049</u>	<u>(411,049)</u>	<u>-</u>
<b>Total Net Position</b>	<u>\$ 842,053</u>	<u>\$ (441,606)</u>	<u>\$ 400,447</u>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<u>\$ 1,340,607</u>	<u>\$ -</u>	<u>\$ 474,013</u>

See the accompanying notes

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**RECONCILIATION OF NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**TO TOTAL GOVERNMENTAL FUND BALANCES**  
**AUGUST 31, 2021**

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds	\$	866,594
Notes Payable attributable to Capital Assets are not reported in the funds	\$	455,545
Investment in Capital Assets is not reported in the funds	\$	411,049
Taxes Receivable reported as deferred revenue in funds	\$	30,557

See the accompanying notes

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**STATEMENT OF ACTIVITIES/STATEMENT OF GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Statement of Activities</u>	<u>Adjustments</u>	<u>General Fund</u>
Expenditures/Expenses:			
Public Safety- Fire Protection:			
Personnel Services	\$ 762,680	\$ -	\$ 762,680
Professional Service	23,243	-	23,243
Insurance	28,872	-	28,872
Maintenance	51,220	-	51,220
Minor Equipment	12,861	-	12,861
Utilities	14,812	-	14,812
Other	196,200	-	196,200
Depreciation	145,106	(145,106)	-
Capital Outlay	-	53,645	53,645
Debt Service:			
Principal	-	69,010	69,010
Interest	12,970	-	12,970
Total Expenditures/Expenses	<u>\$ 1,247,964</u>	<u>\$ (22,451)</u>	<u>\$ 1,225,513</u>
Revenues:			
Taxes	\$ 1,091,527	\$ 10,401	\$ 1,101,928
Intergovernmental Grants	-	-	-
Other Income	29,483	-	29,483
Interest	970	-	970
Total Revenues	<u>\$ 1,121,980</u>	<u>\$ 10,401</u>	<u>\$ 1,132,381</u>
Change in Net Position	\$ (125,984)	\$ 32,852	\$ (93,132)
Other Financing Sources			
Other Sources			
Equipment Note	-	44,665	44,665
Excess (deficiency) of Revenues over Expenditures	\$ (125,984)	\$ 77,517	\$ (48,467)
Net Position/Fund Balance:			
Beginning of the Year	968,037	(8,281)	448,914
End of the Year	<u>\$ 842,053</u>	<u>\$ 69,236</u>	<u>\$ 400,447</u>

See the accompanying notes

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**RECONCILIATION OF STATEMENT OF ACTIVITIES TO STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**AUGUST 31, 2021**

Depreciation expense included in the Statement of Activities does not require the use of current financial resources and therefore not reported in the Statement of Revenues and Expenditures	\$ 145,106
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Expenditures included in Statement of Revenues and  
Expenditures not included in the Statement of  
Activities

Capital Outlay	\$ 53,645
Debt Service - Note Principal	\$ 69,010
Taxes	\$ 10,401

See the accompanying notes

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	Original Budget	Final Budget	Actual	Variance Favorable Unfavorable
<b>REVENUES</b>				
Taxes	\$ 1,096,619	\$ 1,096,619	\$ 1,101,929	\$ 5,310
Interest	600	600	970	370
Other Income	18,000	18,000	29,483	11,483
<b>TOTAL REVENUES</b>	<b>\$ 1,115,219</b>	<b>\$ 1,115,219</b>	<b>\$ 1,132,382</b>	<b>\$ 17,163</b>
<b>EXPENDITURES</b>				
Payroll Wages Expense	\$ 599,126	\$ 599,126	\$ 632,053	\$ (32,927)
Payroll Tax Expense	51,734	51,734	51,446	288
Advertising	3,000	3,000	4,680	(1,680)
Appraisal District Fees	12,000	12,000	12,332	(332)
Bank Charges and Postage	1,320	1,320	1,044	276
Boat Lift Lease	3,900	3,900	3,900	-
Bunker Gear	-	-	18,788	(18,788)
Capital Outlay	-	44,665	53,645	(8,980)
Cell Phones	5,280	5,280	6,172	(892)
Communication Contracts	4,600	4,600	3,858	742
Communication Equipment	600	600	806	(206)
County ID Cards	1,400	1,400	1,400	-
Debt Service	63,635	63,635	69,010	(5,375)
ERS System	3,028	3,028	13,533	(10,505)
Equipment Testing	4,500	4,500	5,186	(686)
Fire Chief Assoc Qtr Meetings	600	600	600	600
Fuel and Oil	12,000	12,000	13,609	(1,609)
Insurance	135,900	135,900	108,052	27,848
Interest	12,948	12,948	12,970	(22)
Maintenance and Repair	2,440	2,440	2,355	85
Maintenance-Vehicle	30,000	30,000	45,800	(15,800)
Medical Director	4,000	4,000		4,000
Medical Supply Replacement	6,000	6,000	5,420	580
Membership Dues	1,100	1,100		1,100
Minor Equipment & Materials	3,300	3,300	8,961	(5,661)
Office Supplies	3,480	3,480	3,241	239
Physicals/shot/drug test	600	600	455	145
Professional Fees	18,600	18,600	23,243	(4,643)
SCBA Maintenance	1,200	1,200	400	800
Service Awards	2,568	2,568	1,766	802
State Fireman's Association	400	400	775	(375)
State License	690	690		690
Station Maintenance	12,000	12,000	12,164	(164)
Tax Collection fee	30,000	30,000	30,237	(237)
TCDRS - Retirement plan	47,930	47,930	43,656	4,274
Telephone and Utilities	15,540	15,540	14,812	728
Texas Commission on Fire Pro	2,400	2,400	3,880	(1,480)
Training	6,000	6,000	3,745	2,255
Travel Expenses	3,000	3,000	3,699	(699)
Uniforms	8,400	8,400	8,420	(20)
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,115,219</b>	<b>\$ 1,159,884</b>	<b>\$ 1,225,513</b>	<b>\$ (65,629)</b>

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable Unfavorable</u>
Excess (Deficit) of Revenues Over Expenitures	\$ -	\$ (44,665)	\$ (93,131)	\$ (48,466)
Other Financing Sources- Equipment Note	<u>-</u>	<u>44,665</u>	<u>44,665</u>	<u>-</u>
Excess (Deficiency) of Revenues And Other Financing Sources Over Expenitures	\$ -	\$ (44,665)	\$ (48,466)	\$ (48,466)
Fund Balance at Beginning of Year	<u>616,598</u>	\$ <u>520,427</u>	\$ <u>448,914</u>	\$ <u>(16,490)</u>
FUND BALANCE AT END OF YEAR	\$ <u><u>616,598</u></u>	\$ <u><u>475,762</u></u>	\$ <u><u>400,448</u></u>	\$ <u><u>(64,956)</u></u>

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The District was originally created in 1959 as a Rural Fire Prevention District in compliance with the Texas Health Code. In 2003, an election was held to change its name to Nueces County Emergency Services District #2. It is organized to operate as a volunteer fire department serving Flour Bluff and Padre Island. The District is governed by the Nueces County Commissioners but is administered locally by a five- member board, which establishes the budget and approves all expenditures.

The tax roll is prepared by the Nueces County Appraisal District and property taxes are collected by the Nueces County Tax Assessor- Collector.

**B. 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 non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenue*. The District has only a general fund to account for all activities.

**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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 both measurable and available.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

*Fund Accounting*

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds. The Board of Directors is the highest-level decision-making authority for the District. The Board of Directors' formal action is required to modify a fund balance commitment.

*Governmental Funds*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the bylaws of the District.

*Revenues and Expenditures*

**Program Revenues**

Amounts reported as 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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenses/Expenditures

On an accrual basis of accounting, are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

**D. CAPITAL ASSETS**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District's capitalization threshold is \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property and equipment of the primary government is depreciated using the straight- line method over the following useful lives:

<u>Assets</u>	<u>Life in Years</u>
Buildings	40
Building Improvements	20
Equipment- major	10-20
Equipment - minor	6

**E. COMPENSATED ABSENCES**

The District does not accrue compensatory time on exempt employees. Sick and vacation time must be used in the year earned or all unused time expires.

**F. PROPERTY TAX REVENUES**

The District is responsible for levying property taxes, but the taxes are collected by the County. Taxes are levied on October 1 based on assessed values at July 25. Property tax payments are due in two installments. Taxes become delinquent after December 31<sup>st</sup>.

Taxes Receivable	\$33,842
Allowance for uncollectible	<u>(3,285)</u>
Net Taxes Receivable	\$30,557

Allowance for uncollectible is set for delinquent tax over ten years.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. NET POSITION**

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

**H. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**I. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods as prepaid items in both government- wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. In the fund financial statements, advances and prepayments are offset by a reservation of fund balance which indicated they do not represent "available spendable resources".

**NOTE 2: DEPOSITS AND INVESTMENTS**

Cash resources are combined to form a pool of cash and investments. Statutes require the classification of funds held by the District into three categories.

Category 1 consists of "active" funds – those funds required to be kept in "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds – those funds not required for use within the current two-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds – those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 2: DEPOSITS AND INVESTMENTS (continued)**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than 90 days and local government pools. State statutes and the District's official Investment Policy authorize the District to invest in obligations of the U.S. and its agencies, certificates of deposit, local government pools, repurchase agreements, and direct obligations of states, agencies, counties, cities, and other political subdivisions of any state rated "A" or its equivalent.

Investments for the District, as well as for its component units, are reported at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of revenues, expenditures and changes in fund balance. Deposit and Investment Risk Disclosures are in accordance with GASB Statement No. 40.

**NOTE 3: COLLATERALIZED DEPOSITS**

The Corporation's bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and pledged collateral. The following is a summary of coverage at August 31:

American Bank	\$ 417,603
Total	417,603
FDIC & Pledged Collateral	<u>434,707</u>
Excess Collateral	<u>\$ 17,104</u>

The above deposits are classified as category 1 which are insured or registered and held in the District's name by its agent.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 4: LONG-TERM DEBT**

The following comprise the District's outstanding general long- term debt at August 31, 2021:

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issuance</u>	<u>Date of Maturity</u>	<u>Debt Outstanding</u>
PNC Equipment Finance, LLC	2.8%	10/28/13	10/28/28	\$291,527
Government Capital Corporation	3.276%	11/17/17	11/17/27	\$ 98,859
Dailey- Wells Communication	0%	9/6/19	9/6/22	\$ 26,665
American Bank	4.25%	11/16/20	11/16/25	<u>\$ 38,494</u>
Total general obligation debt at August 31, 2021				<u><u>\$455,545</u></u>

**PNC Equipment Finance, LLC**

On October 28, 2013, the district purchased a Pumper truck for \$498,795 financed with Oshkosh Capital Corporation, which is now PNC Equipment Finance, LLC. The terms of the agreement call for fifteen annual payments of \$41,180. The interest rate of 2.8% and maturity date of October 28, 2028. Beginning balance \$323,645, Principal Paid \$31,118, Ending Balance \$291,527.

**Government Capital Corporation**

On November 17, 2017 , the district purchased a Boat for \$135,000 financed with Government Capital Corporation. The terms of the agreement call for ten annual payments of \$16,049.84. The interest rate of 3.276% and maturity date of November 17, 2027. Beginning balance \$111,247, Principal Paid \$12,388, Ending Balance \$98,859.

**Dailey- Wells Communication**

On September 6, 2019 , the district purchased a Radio System for \$59,996.75 financed with Dailey-Wells Communication. The terms of the agreement call for 35 monthly payments of \$1,666.57 and 1 payment of \$1,666.80. The interest rate of 0% and maturity date of September 6, 2022. Beginning balance \$44,998, Principal Paid \$18,333, Ending Balance \$26,665.

**American Bank**

On November 16, 2020 , the district purchased a 2020 Ford Pickup truck for \$44,665 financed with American Bank. The terms of the agreement call for 60 monthly payments of \$827.73. The interest rate is 4.25% and maturity date of November 16, 2025. Beginning balance \$44,665, Principal Paid \$6,171, Ending Balance \$38,494.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 4: LONG-TERM DEBT- continued**

Debt Service requirements on outstanding long-term debts are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2021	74,269	12,876	87,145
2022	62,646	11,166	73,812
2023	57,745	9,401	67,146
2024	59,568	6,574	66,142
2025	51,429	6,789	58,218
REST	<u>149,888</u>	<u>12,443</u>	<u>162,331</u>
TOTAL	<u>\$ 455,545</u>	<u>\$ 59,249</u>	<u>\$ 514,794</u>

Changes in Long- Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PNC Equipment Finance, LLC	\$ 323,645	\$ -	\$ 31,118	\$291,527	\$ 33,018
Government Capital Corporation	\$ 111,247	\$ -	\$ 12,388	\$ 98,859	\$ 12,794
Dailey-Wells Communications	\$ 44,998	\$ -	\$ 18,333	\$ 26,665	\$ 19,999
American Bank	\$ -	\$ 44,665	\$ 6,171	\$ 38,494	\$ 8,458
	<u>\$ 479,890</u>	<u>\$ 44,665</u>	<u>\$ 68,010</u>	<u>\$455,545</u>	<u>\$ 74,269</u>

**NOTE 5: CHANGES IN CAPITAL ASSETS**

	<u>Balance 9/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 8/31/21</u>
Land	\$ 21,742	\$ -	\$ -	\$ 21,742
Buildings & Improvements	560,554	-	-	560,554
Equipment	<u>1,844,358</u>	<u>53,646</u>	<u>(86,650)</u>	<u>1,811,354</u>
Total Assets	\$ 2,426,654	\$ 53,646	\$(86,650)	\$ 2,393,650
Accumulated Depreciation	<u>(1,468,600)</u>	<u>(145,106)</u>	<u>86,650</u>	<u>(1,527,056)</u>
Net Capital Assets	<u>\$ 958,054</u>	<u>\$ (91,460)</u>	<u>\$ -</u>	<u>\$ 866,594</u>

**NUECES COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 6: LITIGATION**

There is no pending or threatened litigation, claims, or assessment or unasserted claims or assessment that will materially affect the District's operations or financial position.

**NOTE 7: SUBSEQUENT NOTE**

**COVID -19**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. The District's fiscal budget will be affected by unbudgeted expenses due to COVID-19. The costs were incurred by purchasing additional medicines, disinfectants, personal protective devices and labor to fully maintain the medical vehicles, equipment and supplies in an upmost germ- free manner for the safety of medical personnel and patients.

**Date of Management Evaluation**

Management of Nueces County Emergency Services District #2 has evaluated subsequent events through May 6, 2022 the date the financial statements were available to be issued.