

**WISE COUNTY
EMERGENCY SERVICES DISTRICT NO. 2
ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

**WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

DISTRICT OFFICIALS

PRESIDENT	ROGER GUINN
VICE PRESIDENT	MARC MARTIN
SECRETARY	WALTER HARVEY
TREASURER	KENNY HUDSON
ASSISTANT TREASURER	ROBERT GRAHAM
ATTORNEY	BURNS, ANDERSON, JURY & BRENNER, LLP
AUDITOR	MARGARET NIXON, CPA

**WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
DISTRICT OFFICIALS	ii
TABLE OF CONTENTS	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	10
STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES	12
BALANCE SHEET - GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS	14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES	16
NOTES TO BASIC FINANCIAL STATEMENTS	17
REQUIRED SUPPLEMENTARY INFORMATION	26
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL - GENERAL FUND	27
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	28



MARGARET NIXON, CPA

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

District Commissioners
Wise County Emergency Services District No. 2

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Wise County Emergency Services District No. 2, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our 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 Wise County Emergency Services District No. 2, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Responsibilities of Management 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, 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 these are conditions or events, considered in the aggregate, that raise substantial doubt about Wise 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

Our objectives are 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 our

opinion. Reasonable assurance is a high level of assurance but is 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 the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 Wise 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of changes in the net pension liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and our 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wise County Emergency Services District No. 2's basic financial statements. The comparative financial statements are presented for purpose of additional analysis and are not a required part of the basic

financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script, appearing to read "Margaret Nixon", with a stylized flourish at the end.

Margaret Nixon, CPA
San Antonio, Texas
January 27, 2026

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Wise County Emergency Services District No. 2’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended September 30, 2020. Read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$267,514 at September 30, 2020.
- During the year, the District’s expenses were \$267,514 less than the \$310,969 generated in taxes and other revenues for governmental activities.
- This was the first year of operations with total cost of \$43,455 from last year.
- The general fund reported a fund balance this year of \$155,657.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

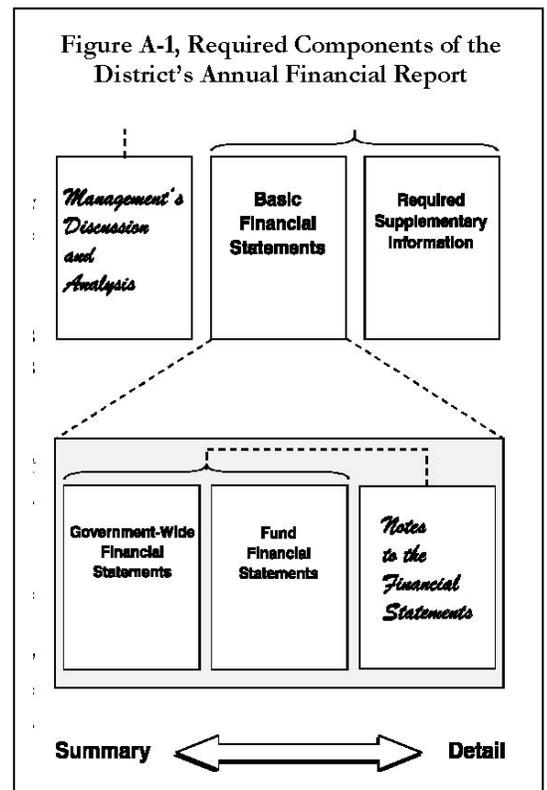


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of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

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

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets, deferred outflows of resources, deferred inflows of resources, and liabilities as applicable. 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, deferred outflows of resources, deferred inflows of resources and liabilities—is one way to measure the District’s financial health or position.

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

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

Fund Financial Statements

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District’s combined net position was \$267,514 at September 30, 2020. (See Table A-1).

The \$267,514 of unrestricted net position represents resources available to fund next year programs.

Table A-1
 Wise County Emergency Services District No. 2
 Net Position
 (Amounts in thousands)

	Governmental Activities		Total Percentage Change
	2020	2019	2020 - 2019
Assets			
Cash and Cash Equivalents	\$ 155.6	\$ -	100.0%
Taxes Receivable	3.2	-	100.0%
Property and Equipment (net of accumulated depreciation)	229.7	-	100.0%
TOTAL ASSETS	388.5	-	100.0%
Current Liabilities			
Interest Payable	1.5	-	100.0%
Note Payable on Vehicle- Current	119.5	-	100.0%
Total Liabilities	121.0	-	100.0%
Net Position			
Unrestricted	267.5	-	
TOTAL NET POSITION	267.5	-	100.0%
TOTAL LIABILITIES AND NET POSITION	\$ 388.5	\$ -	100.0%

Changes in Net Position. The District’s total revenues were \$310,969. The District revenues come from taxes, charges for services, and interest income. There was no state aid or grants during the fiscal year.

The total cost of all programs and services was \$43,455.

Governmental Activities

The property tax rate was \$0.100 per \$100 and property tax revenues resulted in an increase of \$310,908.

Table A-2
Changes in District's Net Position
(Amounts in thousands)

	Governmental Activities		Total Percentage Change
	2020	2019	2020 - 2019
General Revenues			
Total General Revenues	\$ 311.0	\$ -	100.0%
Total Revenues	311.0	-	100.0%
General Expenses			
General Administration	14.7	-	100.0%
Emergency Services	28.8	-	100.0%
Total Expenses	43.5	-	100.0%
Increase (Decrease) in Net Position	\$ 267.5	\$ -	100.0%

Table A-3 presents the cost of each of the District's largest functions, as well as each function's net cost (total cost less fees generated by the activities). The net cost reflects what was funded by local tax dollars.

- The cost of all *governmental* activities this year was \$43,455 and were financed 100% through property taxes.

Table A-3
Net Cost of Selected District Functions
(Amounts in thousands)

	Governmental Activities		Total Percentage Change
	2020	2019	2020 - 2019
General Expenses			
General Administration	\$ 14.7	\$ -	100.0%
Emergency Services	28.8	-	100.0%
Total Expenses	\$ 43.5	\$ -	100.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$307,797 from property taxes. This is the first year of operations.

General Fund Budgetary Highlights

The District did not amend its budget. Actual expenditures were \$55,440 less than budget amounts. The most significant variances resulted from emergency services and higher capital expenditures.

Revenues were \$3,618 less than the budgeted amount. The decrease in revenues is due to collections being lower than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2020, the District had invested \$239,000 capital assets. (see table A-4 below). This amount, less accumulated depreciation, results in a net capital asset value of \$12.14 million.

Table A-4
Capital Assets
(In Thousands of dollars)

	Governmental Activities		Total Percentage Change
	2020	2019	2020 - 2019
Vehicles and Equipment	\$ 239,000	\$ -	100.0%
Totals at historical cost	239,000	-	100.0%
Total accumulated depreciation	(9,321)	-	100.0%
Net Capital Assets	\$ 229,679	\$ -	100.0%

Detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

In 2020, the District obtained a note to finance the purchase of a vehicle. As of September 30, 2020, the District had \$119,500 outstanding debt as shown on Table A-5.

Table A-5
Long-term Debt
(Amounts in thousands)

	Governmental Activities		Total Percentage Change
	2020	2019	2020 - 2019
Vehicle Purchase Loan	\$ 119,500	\$ -	100.0%
Total Expenses	\$ 119,500	\$ -	100.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2021 budget preparation slightly increased and revenue projections have slightly increased.
- General operating fund spending increased in the 2021 budget from the 2020 actual expenditures of \$271,640 to \$311,400. This is a 14.6% increase.

These indicators were taken into account when adopting the general fund budget for 2021. Amounts available for appropriation in the general fund budget are \$311,400, a slight decrease of 1.2% over the 2020 actual revenue of \$307,797.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Wise County Emergency Services District No. 2's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrator.

Mailing Address: Country Road 3743, Boonsville, TX 76426

Email: president@wcesd2.us

**WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2020**

BASIC FINANCIAL STATEMENTS

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

- Government – wide financial statements

- Fund financial statements:
 - Governmental funds

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

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 155,657
Taxes Receivable	3,172
<i>Total Current Assets</i>	158,829
<i>Property and Equipment</i>	
Property and Equipment (net of accumulated depreciation)	229,679
<i>Total Noncurrent Assets</i>	229,679
TOTAL ASSETS	388,508
LIABILITIES AND NET POSITION	
<i>Liabilities</i>	
Interest Payable	1,494
Note Payable on Vehicle- Current	119,500
Total Liabilities	120,994
<i>Net Position</i>	
Unrestricted	267,514
TOTAL NET POSITION	267,514
TOTAL LIABILITIES AND NET POSITION	\$ 388,508

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

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF ACTIVITIES
FOR YEAR ENDED SEPTEMBER 30, 2020

Functions and Programs	Expenses	Program Revenues		Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Total Government Activities
Governmental Activities				
General Administration	\$ (14,652)	\$ -	\$ -	\$ (14,652)
Emergency Services	(28,803)	-	-	(28,803)
Total Governmental Activities	<u>\$ (43,455)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(43,455)</u>
General Revenues				
Property Taxes				310,908
Other Income				61
Total General Revenues				<u>310,969</u>
Change in Net Position				267,514
Net Position at Beginning of Year				<u>-</u>
Net Position at End of Year				<u>\$ 267,514</u>

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

**WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 155,657
Taxes Receivable	3,172
Total Assets	158,829
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
<i>Deferred Inflows of Resources</i>	
Unavailable Property Tax Revenue	3,172
 FUND BALANCE	
Unassigned	155,657
Total Fund Balance	155,657
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 \$ 158,829

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

**WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	155,657
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.		229,679
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(119,500)
Interest Payable is not due and payable in the current period and therefore is not reported in the funds.		(1,494)
Property Taxes Receivable on the Statement of Net Position that do not provide current financial resources are reported as deferred revenue in the funds.		3,172
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	267,514

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

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund
REVENUES	
Property Taxes	\$ 307,736
Interest and Other Income	61
Total Revenues	307,797
EXPENDITURES	
Emergency Services	19,482
Administrative	13,158
Capital Outlays	239,000
Total Expenditures	271,640
Revenues over (under) expenditures	36,157
Fund Balance at Beginning of Year	-
Other Financing Sources	119,500
Fund Balance at End of Year	\$ 155,657

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

**WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 36,157

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

Governmental funds report capital outlays as expenditures; however, in the statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation. 239,000

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change of property tax receivable and capital gains reported in the statement of activities does not provide current financial resources and, therefore, is not reported as revenue in the governmental fund.

Change in Property Taxes Receivable 3,172

The issuance of long-term debt (e.g. notes payable and capital leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.

Interest Expense (1,494)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (9,321)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 267,514

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

NOTES TO BASIC FINANCIAL STATEMENTS

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wise County Emergency Services District No. 2 is a political subdivision of the State of Texas and was created by the Wise County Commissioners' Court after a Public Election on November 2018 and started operations in 2019. The District was created to provide emergency services and promote public safety, welfare, health and convenience of persons residing in the District.

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

A. THE FINANCIAL REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

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

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

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2019, and became due October 1, 2019 have been assessed to finance the budget of the fiscal year beginning October 1, 2019.

Expenditures generally are recorded when a fund liability is incurred.

The government reports the following major governmental fund:

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

The District has no other major governmental funds.

D. CASH AND CASH EQUIVALENTS

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

E. INVESTMENTS

State statutes authorize the District to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

F. PROPERTY TAXES RECEIVABLE

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

H. CAPITAL ASSETS

Capital Assets, which include land, buildings, improvements, vehicles and equipment are reported in the government-wide financial statements. All acquisitions are recorded at cost, if purchased or at fair value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A salvage value of 10% of original cost is utilized for fire trucks and other vehicles. When assets are disposed of, their cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are credited or charged to operations. Land and construction in progress are recorded at cost and it is not depreciated.

Furniture and equipment is capitalized if cost is over \$5,000 and a useful life of over one year. Major improvements and renewals of real property are capitalized if cost is over \$25,000. Repairs and maintenance are charged against operations as incurred. Estimated useful lives are as follows:

Fire Stations (Buildings)	25 years
Fire Fighting Equipment	5-10 years
Fire Trucks	12.5 years
Vehicles light/medium	5 years

I. LONG-TERM OBLIGATIONS

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable. In the current year, the District adopted a new GASB standard that establishes new note disclosure requirements for long-term debt, including direct borrowings and placement. See additional detail in Note 6.

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

I. LONG-TERM OBLIGATIONS (Cont.)

In government-wide financial statements, long-term debt and other long-term obligations (if any) are reported as liabilities under governmental activities. Bond premiums and discounts are amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize debt proceeds 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 reported as debt service expenditures.

G. DEFERRED INFLOWS OF REVENUES

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

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue.

H. FUND BALANCE

Fund balances in governmental funds are classified as follows:

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

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

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

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

H. FUND BALANCE (Cont.)

Assigned – Represents amounts which the District intends to use for a specific purpose but do not meet the criteria of restricted or committed. The District may make assignments and has chosen not to delegate that authority to any other individuals.

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

When an expenditure is incurred for a purpose in which multiple classifications are available, the District wishes restricted balances to be spent first, committed second, and assigned third.

L. NET POSITION

Net Position represent the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

M. USE OF ESTIMATES

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

NOTE 2 – CASH AND CASH INVESTMENTS

The District’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District’s agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

1. Cash

At September 30, 2024, the carrying amount of the District’s deposits in the bank were fully covered by federal deposit insurance (FDIC) from the District’s depository.

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

2. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety of principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper,

The District had no investments at September 30, 2020.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE 3 -- AD VALOREM (PROPERTY) TAXES

Taxes were levied on and payable as of October 1. The District has contracted with the Wise County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For tax year 2019, the assessed tax rate for the District was \$0.1000 per \$100 on an assessed valuation of \$311,415,384 used to fund 2020 activities. Total tax levy for fiscal year 2020 was 311,415. As of September 30, 2020, the delinquent current taxes for 2020 were \$3,172.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

Governmental Activities	Balance 9/30/2019	Additions	Disposals/ Transfers	Balance 9/30/2020
Vehicles and Equipment	\$ -	\$ 239,000	\$ -	\$ 239,000
Less Accumulated Depreciation	-	(9,321)	-	(9,321)
Governmental Capital Assets, Depreciation Net of Accumulated	<u>\$ -</u>	<u>\$ 229,679</u>	<u>\$ -</u>	<u>\$ 229,679</u>

WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – LONG TERM DEBT

In 2020, the District obtained a loan from First Financial Bank in the amount of \$119,500 and interest rate of 3% to finance 50% of the \$239,000 purchase price of a 2014 Pierce Responder Pumper Truck. A payment of \$123,085 including \$119,500 of principal amount and \$3,585 of interest is payable on April 2021.

Obligations payable at September 30, 2020 comprise of the following:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
<i>Notes Payable:</i>				
Vehicle Purchase Loan	\$ -	\$ 119,500	\$ -	\$ 119,500
<i>Total Notes Payable:</i>	<u>\$ -</u>	<u>\$ 119,500</u>	<u>\$ -</u>	<u>\$ 119,500</u>

NOTE 6 -- CONTINGENT LIABILITIES

Litigation

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

NOTE 7 –CONCENTRATION OF EXPENDITURES

For fiscal year 2020, the District paid the Boonsville-Balsora VFD \$19,481 for emergency services to the District. These costs represented 45% of the District's total expenditures.

NOTE 8 – SERVICE PROVIDERS

The District is currently engaged with the Boonsville-Balsora VFD to provide emergency services to the District. The District pays the VFD on a reimbursement basis.

NOTE 9 -- RISK MANAGEMENT

The Wise County Emergency Services District No. 2, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover this risk the District contracts with the Volunteer Firemen’s Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty. VFIS is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by VFIS. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2020, were \$3,860.

REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund

**WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 311,415	\$ 311,415	\$ 307,736	\$ (3,679)
Interest and Other Income	-	-	61	61
TOTAL REVENUES	311,415	311,415	307,797	(3,618)
EXPENDITURES				
Current:				
Emergency Services	79,600	79,600	19,482	60,118
Administrative	23,400	23,400	13,158	10,242
Capital Outlays	113,200	113,200	239,000	(125,800)
TOTAL EXPENDITURES	216,200	216,200	271,640	(55,440)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	95,215	95,215	36,157	(59,058)
Fund Balance - October 1	-	-	-	-
Other Financing Sources			119,500	(119,500)
Fund Balance - September 30	\$ 95,215	\$ 95,215	\$ 155,657	\$ 60,442

**WISE COUNTY EMERGENCY SERVICES DISTRICT NO. 2
COMPARATIVE STATEMENTS OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GENERAL FUND
FOR YEAR ENDED SEPTEMBER 30, 2020**

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

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Actual expenditures did not exceed appropriations for the year ended September 30, 2020.