

"Pointing The Way to Success"

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

Certified Public Accountants
Financial Consultants
Business Advisors
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June 14, 2018

To the Board of Commissioners of
Gonzales County Emergency Services District #1

We have audited the financial statements of the governmental activities and major fund of Gonzales County Emergency Services District #1 ("the District") for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter dated January 22, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements was depreciation expense.

Management's estimate of depreciation expense is based on estimated useful lives of long-lived assets using the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following accounts contained material misstatements detected as a result of audit procedures and these misstatements were corrected by management: Property Taxes Receivable, Property Taxes Uncollectible and Deferred Property Tax Revenue.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 14, 2018.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompanies the financial statements but are not the RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

This information is intended solely for the use of the Board of Commissioners and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



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



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June 14, 2018

To the Board of Commissioners of
Gonzales County Emergency Services District #1

In planning and performing our audit of the financial statements of the governmental activities and major fund of Gonzales County Emergency Services District #1 (District) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses (hereafter, the term "Code" refers to Title 9, Subtitle B, Chapter 775 of the Texas Health and Safety Code):

Annual Audit Requirement

Section 775.082 of the Code requires all emergency services districts to undergo an annual audit of its financial statements. We noted that prior to the audit we performed for the year ended December 31, 2015, no audits had been performed subsequent to the District's creation in 1989. We are not able to determine the repercussions, if any, of this deficiency. However, it is considered material because of the amount of annual revenues and expenditures that have not been subjected to audits. We have been engaged to audit the District for the year ended December 31, 2017 as well.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Adoption of Budget

In accordance with Section 775.074 of the Code, the District may not adopt a tax rate for any fiscal year until a budget has been adopted for that fiscal year. We noted that the District did not adopt an annual budget for the year ended December 31, 2016. We recommend that the District become familiar with all aspects of the budgeting requirements and adopt a budget for the current fiscal year as soon as reasonably possible and prior to the adoption of a tax rate for all future fiscal years.

Compliance With Texas Open Meetings Act

In accordance with Section 775.036 of the Code, the District's Board of Commissioners are required to hold regular monthly meetings and other meetings as considered necessary, and keep minutes and records of its acts and proceedings. Although the District's Board of Commissioners did meet on a regular monthly basis, not all of the meetings met the requirements of the Texas Open Meetings Act (Act). We also noted that minutes could not be located for two of the monthly meetings held during the year. We recommend that all members of the Board of Commissioners receive adequate training in order to comply with all aspects of the Act. We did note significant improvement in this area over that of the year ended December 31, 2016.

Annual Filing Requirement With Texas Department of Agriculture

Section 775.083 of the Code requires the District to file an annual report with the Texas Department of Agriculture. Due to lack of documentation maintained by previous officers of the District, we were unable to ascertain whether or not this reporting requirement was met for the year ended December 31, 2016. We recommend that the District become familiar with all aspects of the annual filing requirements with the Texas Department of Agriculture to ensure the reports are filed in a complete and timely manner, and that adequate documentation is maintained to support all such filings.

Bonding Requirement

In accordance with Section 775.037 of the Code, the District's Treasurer is required to execute and file with the County Clerk a bond conditioned on the faithful execution of the Treasurer's duties. Furthermore, the County Judge of the county in which the bond is to be filed must determine the amount and sufficiency of the bond before it is filed. The District was able to provide documentation supporting a bond in the amount of \$25,000 for the Board Treasurer that was in effect during the year ended December 31, 2016. However, no documentation could be provided supporting the filing of the bond with the County Clerk, or that the bond amount was determined by the County Judge. We recommend that the District's Treasurer obtain a bond in an amount determined by the County Judge and file the bond with the County Clerk as soon as reasonably possible.

Training Requirements

In accordance with Section 775.0365 of the Code, each of the District's Commissioners are required to obtain at least 6 hours of continuing education related to his/her responsibilities as a commissioner within two years of taking office and within every two year period thereafter. In addition, each Commissioner must obtain training on the Public Information Act within 90 days of taking office. We noted that none of the District's Commissioners received any of the required training within the allotted periods of time. We recommend that all of the District's Commissioners receive all of the required training as soon as reasonably possible.

Contract Requirements

In accordance with Section 775.0366 of the Code, the Board of Commissioners may contract with another local government to provide emergency services that the District or the local government is authorized to provide. Furthermore, the parties to a contract for emergency services between governmental entities must assign the responsibility for civil liability in the form of a written contract. Although the District has a signed agreement with its contracted emergency services provider, the agreement lacks language regarding the assignment of civil liability between the two parties. It also lacks specific terms outlining details of the services to be provided and other contractual terms to help ensure that expected services are provided and to protect the District and its citizens. We recommend that the District consult legal counsel to assist in the development of a formal contract that can be used for current and future contractual relationships with service providers.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within Gonzales County Emergency Services District #1, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



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

**GONZALES COUNTY EMERGENCY
SERVICES DISTRICT #1**

ANNUAL FINANCIAL REPORT

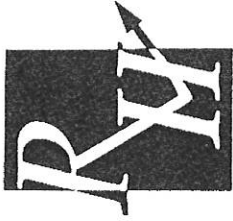
YEAR ENDED DECEMBER 31, 2016

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
 ANNUAL FINANCIAL REPORT
 YEAR ENDED DECEMBER 31, 2016

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and major fund of Gonzales County Emergency Services District #1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Gonzales County Emergency Services District #1 as of December 31, 2016, 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.

Omission of Required Supplementary Information

Gonzales County Emergency Services District #1 has not presented a budgetary comparison schedule for the General Fund that accounting principles generally accepted in the United States of America has determined necessary to supplement, although not required to be part of, the basic financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

June 14, 2018



Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2016**

This section of Gonzales County Emergency Services District #1's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,937,236 at December 31, 2016, an increase of \$88,420, or 5%, from that of the prior year.
- During the year, the District's expenses were \$88,420 less than the \$1,209,328 generated in property taxes and interest for governmental activities.
- The general fund reported a fund balance this year of \$1,098,327, which is an increase of \$33,902, or 3%, from that of the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts -- *management's discussion and analysis* (this section) and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

<i>Features</i>	<i>Government-wide Statements</i>	<i>Fund Statements</i>
<i>Scope</i>	Entire District's government	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balance
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – is one way to measure the District's financial health or position.

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

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

The government-wide financial statements of the District include the *governmental activities*. The District’s basic emergency medical services are included here. Revenues from property taxes fund all but a minimal amount (less than 1%) of these activities.

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2016**

Statement of Net Position

The statement of net position serves as a useful indicator over time of the District's financial position. It distinguishes assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as to their expected use for current operations and capital investment. The District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of fiscal year 2016 by \$1,937,236. The following condensed statement of net position provides an overview of the District's net position as of December 31, 2016 and 2015.

	Governmental Activities		\$ Change	% Change
	2016	2015	2016 - 2015	2016 - 2015
Assets:				
Current Assets	\$ 1,937,236	\$ 1,848,816	\$ 88,420	5%
Total Assets	<u>1,937,236</u>	<u>1,848,816</u>	<u>88,420</u>	5%
Net Position:				
Unrestricted	1,937,236	1,848,816	88,420	5%
Total Net Position	<u>\$ 1,937,236</u>	<u>\$ 1,848,816</u>	<u>\$ 88,420</u>	5%

The entire balance of the District's net position is unrestricted and, therefore, may be used to meet the District's ongoing obligations and contingencies.

Statement of Activities

The statement of activities serves as a measure to determine how successful the District was during the past year in recovering its costs through charges for services and general revenues. The following condensed statement of activities summarizes the operations of the District for the year ended December 31, 2016 and 2015.

	Governmental Activities		\$ Change	% Change
	2016	2015	2016 - 2015	2016 - 2015
Revenues:				
General Revenues	\$ 1,209,328	\$ 1,138,366	\$ 70,962	6%
Expenses:				
Emergency Medical Services	1,120,908	1,054,218	66,690	6%
Change in Net Position	88,420	84,148	4,272	5%
Net Position, Beginning	1,848,816	1,764,668	84,148	5%
Net Position, Ending	<u>\$ 1,937,236</u>	<u>\$ 1,848,816</u>	<u>\$ 88,420</u>	5%

The District's total revenues were \$1,209,328. A significant portion, approximately 99%, of the District's revenue comes from property taxes. The remaining portion comes from interest income. The total cost of all operations was \$1,120,908, an increase of \$66,690, primarily due to an increase in contracted emergency medical services.

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from the governmental fund type totaled \$1,154,810, a decrease from the prior year of \$49,694 primarily due to a decrease in property tax revenue. Expenditures from the governmental fund type totaled \$1,120,908, an increase from the prior year of \$66,690, primarily due to an increase in contracted emergency medical services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District owned no capital assets as of or during the year ended December 31, 2016.

Long-Term Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The District adopted a tax rate for 2017 of \$.047 per \$100 in valuation to provide funds adequate to cover its anticipated expenditures for 2017. The District does not expect a significant change in fund balance as a result of operations for 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Office.

BASIC FINANCIAL STATEMENTS

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 998,327
Temporary Investments	100,000
Property Taxes Receivable, Net	<u>838,909</u>
Total Assets	<u>1,937,236</u>
LIABILITIES	
Current Liabilities - None	<u>-0-</u>
Total Liabilities	<u>-0-</u>
NET POSITION	
Unrestricted	<u>1,937,236</u>
Total Net Position	<u><u>\$ 1,937,236</u></u>

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues - Charges for Services</u>	<u>Net (Expense) Revenue and Change in Net Assets - Governmental Activities</u>
Governmental Activities:			
Emergency Medical Services	\$ <u>1,120,908</u>	\$ <u>-0-</u>	\$ <u>(1,120,908)</u>
General Revenues:			
Property Tax Revenues			1,204,324
Interest Income			<u>5,004</u>
Total General Revenues			<u>1,209,328</u>
Change in Net Position			88,420
Net Position, Beginning			<u>1,848,816</u>
Net Position, Ending			<u>\$ <u>1,937,236</u></u>

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

**GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2016**

	<u>General Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 998,327
Temporary Investments	100,000
Property Taxes Receivable, Net	838,909
Total Assets	\$ 1,937,236
LIABILITIES	
Current Liabilities - None	\$ -0-
Total Liabilities	-0-
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	838,909
FUND BALANCE	
Unassigned	1,098,327
Total Fund Balance	1,098,327
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 1,937,236
Fund balance of governmental fund	\$ 1,098,327
<p style="margin-left: 40px;">Amounts reported for governmental activities in the statement of net position is different because:</p> <p style="margin-left: 80px;">Taxes receivable on the statement of net position that do not provide current financial resources are reported as unavailable revenue in the funds. 838,909</p>	
Net position of governmental activities	\$ 1,937,236

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2016

	General Fund
Revenues:	
Property Taxes	\$ 1,149,806
Interest	5,004
Total Revenues	1,154,810
Expenditures:	
Current:	
Contract Emergency Medical Services	1,094,923
Appraisal Services	22,097
Travel	1,121
Dues	1,100
Office Expense	125
Other	1,542
Total Expenditures	1,120,908
Excess of Revenues Over Expenditures	33,902
Fund Balance, Beginning of Year	1,064,425
Fund Balance, End of Year	\$ 1,098,327
Net change in fund balance - governmental fund	\$ 33,902
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property tax revenue resulted in an increase in net position.	54,518
Change in net position of governmental activities	\$ 88,420

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: Reporting Entity

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

Note 2: Summary of Significant Accounting Policies

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

Government-wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2: Summary of Significant Accounting Policies (Continued)

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

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

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

The government reports the following major governmental fund:

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

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

Property Taxes Receivable – Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of December 31, 2016.

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2: Summary of Significant Accounting Policies (Continued)

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

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

Budget Data – The District is required to adopt an annual budget. Amendments, if any, made during the year are required to be approved by the board. However, a budget was not adopted for the year ended December 31, 2016.

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

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

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

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
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Note 2: Summary of Significant Accounting Policies (Concluded)

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

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

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

Note 3: Cash and Temporary Investments

Cash Deposits -- At December 31, 2016, the carrying amount of the District's deposits (cash and a certificate of deposit included in temporary investments) was \$1,098,327 and the bank balance was \$1,030,404. The District's cash deposits at December 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent banks in the District's name.

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

The District's temporary investments at December 31, 2016 were as follows:

	<u>Carrying</u>	
<u>Investment</u>	<u>Amount</u>	<u>Fair Value</u>
Certificate of Deposit	\$ <u>100,000</u>	\$ <u>100,000</u>

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
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Note 3: Cash and Temporary Investments (Concluded)

Generally accepted government accounting principles require a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

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

b. Custodial Credit Risk

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

GONZALES COUNTY EMERGENCY SERVICES DISTRICT #1
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DECEMBER 31, 2016

Note 4: Contract Emergency Medical Services

The District contracts with Gonzales County Emergency Medical Services (GCEMS) to provide emergency medical services to the citizens that reside within the boundaries of the District. This agreement renews on October 1st of each year. The contract for the period October 1, 2015 through September 30, 2016 required monthly payments of \$86,936. The contract for the period October 1, 2016 through September 30, 2017 required monthly payments of \$104,167.

On June 4, 2018, two members of management of GCEMS were arrested by Texas Rangers and charged with mismanagement of funds of GCEMS. The impact of this event on the operations of the District was undeterminable as of June 14, 2018.

Note 5: Significant Taxpayer

The District's largest taxpayer accounted for approximately 22% of the total 2016 assessed value for property tax purposes. No delinquent amounts from this taxpayer existed as of December 31, 2016. No other individual taxpayer accounted for more than 2% of the total assessed value for property tax purposes.