

**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 2**

**FINANCIAL STATEMENTS
DECEMBER 31, 2020**

HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 2

YEAR ENDED DECEMBER 31, 2020

BOARD OF COMMISSIONERS

Jason Pena	President
Anna Flores	Vice-President
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Marlene Hinojosa	Commissioner
Robert Escobar	Commissioner

**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 2
AS OF DECEMBER 31, 2020**

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PART 1

FINANCIAL SECTION

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
GOVERNMENT-WIDE STATEMENTS OF NET POSITION
DECEMBER 31, 2020**

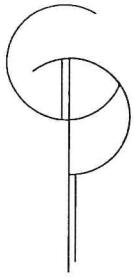
ASSETS AND DEFERRED OUTFLOW OF RESOURCES	2020	2019
Cash	\$ 100,469	\$ 23,984
Certificate of Deposit	386,091	501,598
Due from County	75,267	71,003
Due from Others	-	-
Tax Assessment Receivable (Net)	290,695	280,906
Fixed Assets (Note 5)	7,084	11,335
Total Assets	859,606	888,826
Deferred Outflow of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 859,606	\$ 888,826
LIABILITIES, DEFERRED INFLOW OF RESOURCES		
Liabilities		
Trade Payable	\$ 27,100	\$ -
Due to Tax Attorney	101	242
Total Liabilities	27,201	242
Deferred Inflow of Resources	-	-
Net Position		
Invested in Capital Assets, Net of Related Debt	7,084	11,335
Unrestricted	825,321	877,249
Total Net Position	832,405	888,584
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 859,606	\$ 888,826

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
DECEMBER 31, 2020**

Program Activities	Expenses	Taxes Penalties/Interest	Operating Grants and Contributions	Total
Governmental activities				
General government and administration	\$ 132,105	\$ 110,485	\$ -	\$ (21,620)
Service Contracts	251,063	251,063		-
Aid to Communities				
Covid-19 Expenses	39,282			(39,282)
Interest on long-term debt	-			
 Total governmental activities	 \$ 422,450	 \$ 361,548	 \$ -	 \$ (60,902)
General revenues:				
				3,865
Investment earnings				
Gain (loss) on sale/retirement of capital assets				858
Miscellaneous				858
				4,723
				4,723
				(56,179)
				(56,179)
				888,584
				888,584
				\$ 832,405
				\$ 832,405

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



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Manuel B. Garcia, CPA
Jaime X. Peña, CPA

INDEPENDENT AUDITOR'S REPORT

Hidalgo County Emergency Services
District No. 2
P.O. Box 1136
Elsa, 78543

We have audited the accompanying financial statements of the government activities, and the aggregate remaining fund information of Hidalgo County Emergency Services District No. 2 as of and for the year ended December 31, 2020 with comparative totals for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Hidalgo County Emergency Services District No. 2's basic financial statements as listed in the Table of Contents.

Management 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information, of Hidalgo County Emergency Services District No. 2 at December 31, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

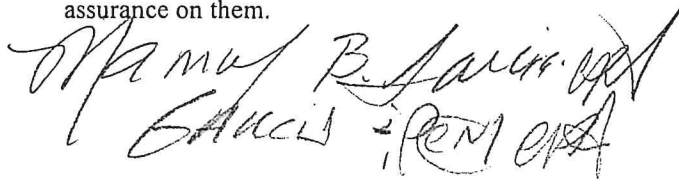
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages c and 9 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 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hidalgo County Emergency Services District No. 2's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Garcia & Pena
Certified Public Accountants
Weslaco, Texas

July 16, 2021

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to provide an overview of the Hidalgo County Emergency Services District No.2 financial performance for the year ended December 31, 2020, and the related effect on the Hidalgo County Emergency District No. 2's financial condition. Please read it in conjunction with the financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- The Hidalgo County Emergency District No. 2 Changes in Net Position – Governmental Type Activities – Total government-wide net position decreased \$56,179 as a result of this year's operations in the prior year the decrease was \$59,736.
- The decrease in net position was \$56,179 a decrease of \$3,557 from the prior years' deficit of \$59,736. This was due to the increase of expenses of \$7,259 with an increase of revenues in tax assessment of \$13,456 and a general revenue decrease of \$2,640.
- At the close of the current year, the Hidalgo County Emergency Services District No. 2's governmental fund reported an excess of expenditures over revenues of (\$61,717), decreasing the fund balance to \$534,626. The fund balance is 128.62% (percent) of total general fund expenditures. The current year deficit increased by \$4,634, although the district's revenues increased by \$509, but expenditures increased by \$5,143. Increases were in travel, miscellaneous, with increases in service contracts; ambulance contracts, aid to communities and COVID-19 expenses. This year's collection rate was 96.41% levy versus 99.5% in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Hidalgo County Emergency Services District No. 2 basic financial statements comprise three components: 1.) Government-wide financial statements, 2.) Fund financial statements, and 3.) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of Hidalgo County Emergency Services District No. 2 finances, in a manner similar to a private-sector business.

The statements of net position present information on all of Hidalgo County Emergency Services District No. 2 assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Hidalgo County Emergency Services District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal period (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of Hidalgo County Emergency Services District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Hidalgo County Emergency Services District No. 2 include general government, and ambulance services provided through service contracts.

The Board sets expenditure caps over which Hidalgo County Emergency Services District No. 2 Commissioner's approval is required.

The government-wide financial statements can be found on pages 1-3 of this report.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hidalgo County Emergency Services District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Hidalgo County Emergency Services District No. 2 maintains one individual governmental fund.

Hidalgo County Emergency Services District No. 2 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-13 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Hidalgo County Emergency Services District No. 2, assets exceeded liabilities by \$832,405 at the close of the most recent fiscal year.

By far the largest portion of Hidalgo County Emergency Services District No. 2 net position (58.45 percent) reflects its investment in cash of \$486,560.

The remaining balance of \$290,695 (tax receivables) are not currently available until collected in subsequent years.

Governmental activities. Tax receipts, penalties and interest amounts to \$361,548 an increase of 3.87% over the last fiscal year and with a \$2,640 decrease in general revenues. Expenses were \$422,450, up from \$415,191 in the previous year, netting a \$56,179 decrease in net position.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds. The focus of Hidalgo County Emergency Services District No. 2's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Hidalgo County Emergency Services District No. 2's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Hidalgo County Emergency Services District No. 2 governmental fund reported an ending fund balance of \$534,626, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Hidalgo County Emergency Services District No. 2. At the end of the current fiscal year, unreserved fund balance of the general fund was \$534,626. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 128.62% of total general fund expenditures.

The fund balance of Hidalgo County Emergency Services District No. 2's general fund decreased by \$61,717 during the current fiscal year, which is \$4,634 more than the prior year. Key factors in this change are as follows:

- The tax receipts, penalties and interest revenues, and other income increased by \$509 for the year, and expenditures increasing by 5,143. Total revenues were \$353,956 with total expenditures of \$415,673 netting the \$61,717 decrease.

CAPITAL ASSETS

Capital Assets. Hidalgo County Emergency Services District No. 2's investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$7,084. This investment in capital assets includes the purchase of (2) chute gravity sand bagging machines for \$21,254 in 2017, and accumulated depreciation of \$14,170.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Hidalgo County Emergency Services District No. 2's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hidalgo County Emergency Services District No. 2's, P.O. Box 1136, Elsa, Texas 78543.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
DECEMBER 31, 2019**

Program Activities	Expenses	Taxes Penalties/Interest	Operating Grants and Contributions	Total
Governmental activities				
General government and administration	\$ 227,182	\$ 160,083	\$ -	\$ (67,099)
Service Contracts	188,009	188,009		-
Interest on long-term debt				
 Total governmental activities	 \$ 415,191	 \$ 348,092	 \$ -	 \$ (67,099)
General revenues:				
Investment earnings				7,363
Gain (loss) on sale/retirement of capital assets				
Miscellaneous				-
Total general revenues				7,363
Changes in net position				(59,736)
Net position at beginning of year				948,320
Net position at end of year				\$ 888,584

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

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received from tax payers	\$ 347,782	\$ 349,896
Cash received from others	-	-
Cash payments to employees for services	(44,649)	(105,950)
Cash payments to suppliers for goods and services	(122,057)	(118,648)
Cash payments for service contracts	(223,963)	(188,009)
Net Cash Provided by Operating Activities	(42,887)	(62,711)
Cash Flows From Capital Activities:		
Fixed Asset Additions	-	-
Cash Flows From Investing Activities:		
Interest on cash and cash investments	3,865	7,363
Net Increase (Decrease) In Cash	(39,022)	(55,348)
Cash at the Beginning of the Year	525,582	580,930
Cash at the End of the Year	\$ 486,560	\$ 525,582
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities		
Income (loss) from operations	\$ (33,802)	\$ (67,099)
Depreciation Expense	4,251	4,251
Changes in Assets		
Due from the County	(4,264)	1,798
Due from the Others	-	-
Tax Receivable	(9,789)	(1,598)
Changes in Liabilities		
Accrued Expense	(141)	(63)
Other Income	858	-
Net cash provided (used) by operating activities	\$ (42,887)	\$ (62,711)
Reconciliation of total cash and cash investments		
Current Cash	\$ 100,469	\$ 23,984
Certificate of Deposits	386,091	501,598
Total Cash and Cash Investments	\$ 486,560	\$ 525,582

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

ASSETS	<u>2020</u>	<u>2019</u>
Cash	\$ 100,469	\$ 23,984
Certificate of Deposit	386,091	501,598
Due from County	75,267	71,003
Due from Others	-	-
Tax Assessment Receivable (Net)	<u>290,695</u>	<u>280,906</u>
Total Assets	<u>852,522</u>	<u>877,491</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 852,522</u>	<u>\$ 877,491</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION		
Trade Payable	\$ 27,100	\$ -
Due to Tax Attorney	<u>101</u>	<u>242</u>
Total Liabilities	<u>27,201</u>	<u>242</u>
Deferred Inflow of Resources	<u>290,695</u>	<u>280,906</u>
Fund Balance		
Unrestricted	<u>534,626</u>	<u>596,343</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u>\$ 852,522</u>	<u>\$ 877,491</u>

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

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

	General Fund	
	2020	2019
<u>Revenues</u>		
Tax Receipts, Net of Refunds	\$ 333,048	\$ 328,278
Penalties & Interest	16,185	17,806
Interest	3,865	7,363
Other Income	858	-
Total Revenues	<u>353,956</u>	<u>353,447</u>
<u>Expenditures</u>		
Administrative Expenses		
Advertising	650	5,326
Travel	7,899	5,734
Legal and Professional	56,203	91,771
Insurance	2,763	2,763
Dues and Subscriptions	1,275	2,009
Office	1,711	2,244
Rent Expense	750	3,000
Miscellaneous	3,285	153
Personal Services	47,491	105,950
Collection and Assessment Fees Hidalgo County (Note 1)	<u>3,301</u>	<u>3,571</u>
Total Administrative Expenses	125,328	222,521
Service Contract		
Ambulance Contract	242,767	183,009
Aid to Communities	8,296	5,000
Covid-19 Expenses	39,282	-
Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>415,673</u>	<u>410,530</u>
Excess of Revenues Over (Under) Expenditures	(61,717)	(57,083)
Fund Balance, January 1,	<u>596,343</u>	<u>653,426</u>
Fund Balance, December 31,	<u>\$ 534,626</u>	<u>\$ 596,343</u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES
DECEMBER 31, 2020 AND 2019**

	2020	2019
Net change in fund balance-total governmental funds	\$ (61,717)	\$ (57,083)
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Governmental funds report capital outlay as expenditures along with long-term note advances. However, in the government-wide statement of activities and changes in net position, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period</p>		
	-	-
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in government funds.</p>		
	(4,251)	(4,251)
<p>Some property tax will not be collected for several months after the fiscal year - end assessments and these are not considered available revenues in the governmental funds.</p>		
	16,020	(6,333)
<p>Tax adjustments and allowance for uncollectible amounts are recognized thru the deferred revenue accounts in the governmental funds</p>		
Tax adjustments	(3,705)	8,341
Allowance for bad-debt expenses	(2,526)	(410)
Changes in net position of governmental activities	\$ (56,179)	\$ (59,736)

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

NOTES TO FINANCIAL STATEMENTS

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. NATURE OF DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES

The Hidalgo County Emergency Services District No. 2 is a political subdivision, established in April 1982 (under Chapter 794 of the Health and Safety Code to Emergency Service Districts) to provide ambulance service to the citizens of Rural Hidalgo County. As of September 1, 2003, Senate Bill 1021, which passed during the 78th Regular Legislative Session, converted all fire prevention districts to emergency service districts. Emergency Services Districts are now required to operate under Chapter 775 of the Health and Safety Code.

Article III, Section 48e of the Texas Constitution authorizes the Commissioner's Courts of participating counties to levy a tax on the ad-valorem properties situated in their districts not to exceed .10 per one hundred valuations as approved by the qualified voters residing in the district. Such a district may provide emergency medical services, emergency ambulance services, rural fire prevention and control services.

The geographical location is as follows for District No. 2

An area is within the boundaries which are the Rio Grande River on the South, County Line on the east, County Line on the north, Center of FM 493, south to the center of Mile 14 ½ North then east to the east side of Mile 2 West on the east, save and except the corporate boundaries of the City of Mercedes, all of which lie within Hidalgo County, Texas.

The District's books and records are maintained on the modified accrual basis of accounting.

(a). Basis of Presentation

The accounting policies of Hidalgo County Emergency Services District No. 2 conform to generally accepting accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the District. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) taxes billed against the citizen of its geographical area (2), penalties and interest billed for the late payments of taxes that are restricted to meeting the operational or capital requirements of the ambulance service. Interest and other items not properly included among program revenues are reported as general revenues.

(b). Measurement Focus/Basis of Accounting

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

The district-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. NATURE OF DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are taxes, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

(c) Cash and Cash Equivalents

Custodial Credit Risk

Deposits, Certificates of Deposit

Custodial credit risk refers to the risk that in the event of a bank failure, the District's deposits may not be returned to it.

In accordance with the District's fiscal policy as approved by the Board, the District maintains the demand and time deposits through a local depository bank that are members of the Federal Reserve System, and pledge securities to secure the funds of the District beyond the FDIC coverage.

In no time during the current fiscal year did the organization's deposits go over the Federal Depository Insurance Corporation (FDIC) Insurance of \$250,000, or the pledged securities.

Hidalgo County Emergency Services District No. 2 considers all short-term investments with an original maturity of three months or less to be cash equivalents.

(d) Investments

Investments are carried at cost plus accrued interest.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Advertising Costs

Advertising costs are charged to operations when incurred. Total advertising costs for the year ended December 31, 2020, were \$650.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. NATURE OF DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (g). Reclassification
 Certain items in the prior year report have been reclassified to conform, to current year reclassifications. Such reclassifications had no effect on previously reported net income.
- (h). Statement of Cash Flows
 For purposes of reporting cash flows, cash includes cash in banks and certificates of deposit, with maturity of three months or less to be cash equivalents.
- (i). Income Taxes
 The District is exempt from Federal income taxes and therefore no provision for Federal income taxes has been made in the accompanying financial statements.

NOTE 2. CONCENTRATION OF CREDIT RISK

The District maintains its cash balance in three accounts at one financial institution located in Elsa, Texas. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The District maintained account balances in one bank, as follows:

	<u>Bank Balance</u>		<u>Carrying Balance</u>	
Texas National Bank	\$ 504,502		\$ 486,560	
Total	<u>\$ 504,502</u>		<u>\$ 486,560</u>	

	<u>FDIC Coverage</u>	<u>Securities Pledged</u>	<u>Cash on Deposit</u>	<u>Excess (Deficiency) In Depository Security</u>
Texas National Bank	\$ 250,000	\$ 490,825	\$ 504,502	\$ 122,847
Total	<u>\$ 250,000</u>	<u>\$ 490,825</u>	<u>\$ 504,502</u>	<u>\$ 122,847</u>

NOTE 3. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of Hidalgo County Emergency Services District No. 2's financial instruments at December 31, 2020, and the methods and assumptions used to estimate such fair value are as follows:

Cash:

Fair value approximates the carrying amount because of the short maturity of the instruments.

Tax Assessment Receivable:

The fair value of the receivables approximates the carrying amount, as these balances are not considered available resources for the period ending December 31, 2020.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4. REVENUES AND REVENUE RECOGNITION

Substantially all of the District's revenue is derived from taxes levied against the citizens of its geographical areas. The District is authorized to levy a tax, not to exceed three cents (\$.03) per one hundred dollars (\$100.00) property valuation. If the District were to exceed three cents (\$.03) per one hundred dollars, it would require vote approval from the District.

Taxes are assessed and collected for the District by the Hidalgo County Office of Tax Assessor-Collector. The tax rates, assessed taxes, and collection fees for the tax years 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Tax Rate	0.0352	0.036
Market Value	\$ 1,537,070,490	\$ 1,534,090,496
Assessed Value	9,906,690,966	1,045,521,481
Assessed Taxes	348,905	321,712
Net Tax Adjustment	(3,705)	8,341
Net Assessment	345,200	330,053
Assessment fee	1.07%	1.07%
Collection Fee-Delinquent	0.8866	0.8866
Delinquent Tax-Attorney Fee	15%	15%

Revenues recognized by the District represent total tax assessments for the period. At December 31, 2020, the County's record reflected total tax receivable for the District as follows:

	<u>Total Tax</u>	<u>Rollback Tax</u>	<u>Current Tax</u>	<u>Delinquent Tax</u>
Property Tax Receivable, January 1,	\$ 351,077	\$ 222	\$ -	\$ 350,855
2019 Tax Assessments	348,905	-	348,905	-
Tax Collections	(332,786)	(569)	(104,648)	(227,569)
Adjustments	<u>(3,705)</u>	<u>352</u>	<u>3,115</u>	<u>(7,172)</u>
Property Tax Receivable, December 31,	363,491	5	247,372	116,114
Less: Allowance for Uncollectible	<u>(72,796)</u>	<u>-</u>	<u>-</u>	<u>(72,796)</u>
Total Tax Receivable (Net)	<u>\$ 290,695</u>	<u>\$ 5</u>	<u>\$ 247,372</u>	<u>\$ 43,318</u>

Uncollectible amounts are estimated to be 20% of the delinquent taxes at December 31, 2020.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5. FIXED ASSETS

Fixed asset activity for the year ended December 31, 2020, is as follows:

	Balances @ 1/1/2020	Additions	Retirements	Balance @ 12/31/2020
<u>Governmental Activities</u>				
Capital Assets Being Depreciated:				
Machinery & Equipment	\$ 21,254	\$ -	\$ -	\$ 21,254
Less: Accumulated Depreciation				
Machinery & Equipment	9,919	4,251	-	14,170
Total Capital Assets, Being Depreciated, Net	\$ 11,335	\$ (4,251)	\$ -	\$ 7,084

NOTE 6. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period (s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time.

At the government fund level, revenues that have been billed but not yet collected or collected within the availability period are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has one category that qualified as deferred inflows or resources. The following table described the items and amounts:

<u>Deferred Inflows of Resources</u>	<u>Amount</u>
Property Taxes	\$ 290,794

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7. COMMITMENTS

Service Contract With Hidalgo County EMS

The District has entered into a sixty-month service contract with Hidalgo County EMS requiring monthly payments of \$14,600 or \$175,200 annually. The contract will expire on September 30, 2021. On September 10, 2019, the District terminated the contract with the Hidalgo County EMS.

On October 18, 2019, the District contracted with the City of Mercedes EMS for a monthly fee of \$4,167, for the southern portion of the district property from Mile 14 ½ North and everything south of the border. In addition, Trans-Star EMC, LLC will provide ambulance and emergency services for a monthly fee of \$10,000.

	2020	2019
Hidalgo County EMS	\$ 24,500	\$ 160,600
City of Mercedes	41,667	7,893
Trans-Star EMS, LLC	16,000	14,516
South Texas AirMed	160,600	-
Total	\$ 242,767	\$ 183,009

NOTE 8. RISK MANAGEMENT

The District is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of; errors or omissions; catastrophes; and claims by patients or clients transported by ambulance units for which the District carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years.

The District's management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

NOTE 9. COVID-19 DISCLOSURE

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Hidalgo County Emergency Services District No. 2 is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the district's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on Hidalgo County Emergency Services District No. 2 customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which the COVID-19 may impact the district's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

NOTE 10. SUBSEQUENT EVENTS

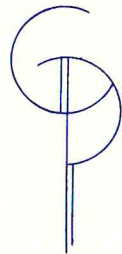
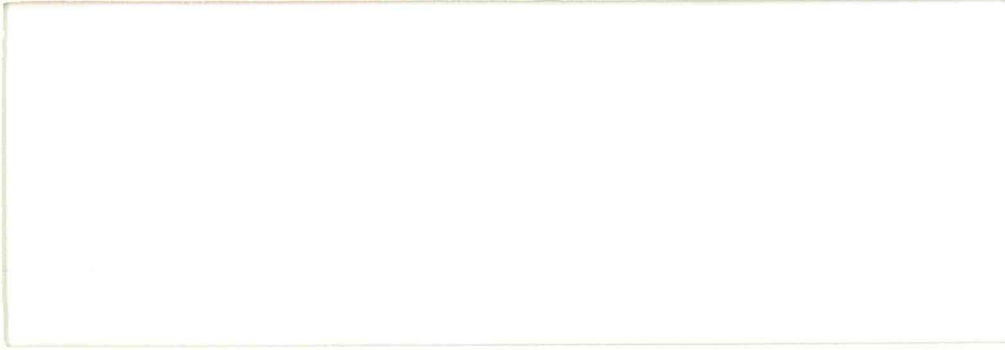
Subsequent events were evaluated through July 16, 2021, which is the date the financial statements were available to be issued.

PART II

SUPPLEMENTAL SECTION

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT #2
 FIVE YEAR SUMMARY OF TAX RATES, ASSESSMENTS,
 TAX PENALTIES AND INTEREST, INVESTMENT INTEREST
 EARNINGS, TOTAL REVENUES, TAX COLLECTIONS
 AND TAX COLLECTION PERCENTAGE
 DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax Rate	0.0352	0.036	0.036	0.032	0.361
Market Value	\$ 1,537,070,490	\$1,534,090,496	\$ 1,538,180,631	\$1,260,930,780	\$ 1,254,746,026
Assess Value	990,690,966	1,034,521,481	1,051,272,641	913,604,743	914,292,458
Tax Assessment	348,905	321,712	325,581	302,587	303,767
Adjustments	<u>(3,705)</u>	<u>8,341</u>	<u>(4,538)</u>	<u>8,546</u>	<u>(5,219)</u>
Net Assessment	\$ 345,200	\$ 330,053	\$ 321,043	\$ 311,133	\$ 298,548
Penalties & Interest	16,185	18,039	18,564	15,864	19,420
General Revenues	<u>3,757</u>	<u>7,363</u>	<u>4,374</u>	<u>4,780</u>	<u>966</u>
Tax Revenues	\$ 365,142	\$ 355,455	\$ 343,981	\$ 331,777	\$ 318,934
Tax Collections	332,786	328,301	315,204	301,546	284,807
% of Assessment	96.41%	99.46%	98.18%	96.92%	95.39%



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