

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**YEAR ENDED DECEMBER 31, 2023**

**BOARD OF COMMISSIONERS**

Jason Pena	President
Anna Flores	Vice-President
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Robert Escobar	Commissioner

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

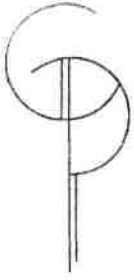
**YEAR ENDED DECEMBER 31, 2023**

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**PART I**

**FINANCIAL SECTION**



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities of Hidalgo County Emergency Services District No.2 as of and for the year ended December 31, 2023, with comparison to December 31, 2022, and the related notes to the financial statements which collectively comprise the Hidalgo County Emergency Services District No. 2 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 of Hidalgo County Emergency Services District No. 2 as of December 31, 2023, and the respective changes in financial position, and the budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Hidalgo 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hidalgo County Emergency Services District No. 2 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 opinions.

Reasonable assurance is a high level of assurance, but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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, and *Government 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 the Hidalgo County Emergency Services District No. 2 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, which raise substantial doubt about the Hidalgo County Emergency Services District No. 2 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 the management's discussion and analysis, budgetary comparison information on pages d to f and 9 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 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.

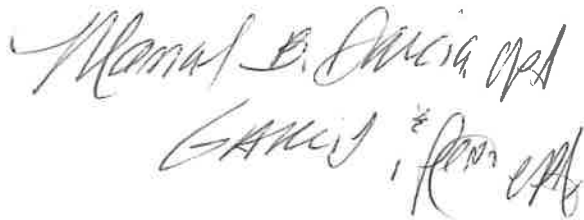
### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hidalgo County Emergency Services District No. 2 basic financial statements. The accompanying individual fund financial statements, supplemental schedules, supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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, the individual fund financial statements, supplemental schedules, supplemental information, and the schedule of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

### Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The image shows two handwritten signatures in dark ink. The top signature is 'Manuel B. Garcia CPA' and the bottom signature is 'Garcia & Pena CPA'. Both signatures are written in a cursive, flowing style.

Garcia & Pena,  
Certified Public Accountants  
Weslaco, Texas 78599

May 1, 2024

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

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, 2023, 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 \$21,694 as a result of this year's operations and in the prior year's net position increased by \$209,329.
- In spite of the \$42,018 increase in taxes, an increase of general revenues of \$3,444, the increase of expenses of \$271,703, resulted in (\$21,694) change in net position. This was a decrease of \$231,023 from the previous year.
- 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 \$157,072, decreasing the fund balance to \$749,795. The fund balance is 127.35% (percent) of total general fund expenditures. The current year decrease from the prior years' increase of \$192,486 is \$349,558. This was the result of expenses increasing \$361,084, and a decrease of \$11,526 in revenues. Revenues increased \$9,161 in tax receipts, including penalties and interest with a decrease of \$1,079 in interest, and an increase of \$2,365 in other income. Administrative expenses increased by \$78,626 and service contracts increased by \$186,771 and aid to communities decreased \$4,711, with an increase in capital outlay of \$100,398, the purchase of 2 ambulances. This year's collection rate was 88.34% versus 94.11% 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 1-4 of this report.



**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**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 5-9 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 10-17 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 \$1,200,943 at the close of the most recent fiscal year.

By far the largest portion of Hidalgo County Emergency Services District No. 2 net position (73.18 percent) reflects its investment in cash of \$878,899.

The remaining balance of \$359,117 (tax receivables) are not currently available until collected in subsequent years.

**Governmental activities.** Tax receipts, penalties, and interest amounts to \$480,525 an increase of 7.75% over the last fiscal year and with a \$3,444 increase in general revenues. Expenses were \$507,337, up from \$235,634 in the previous year, netting a \$21,694 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.

**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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

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 \$749,795, 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 \$749,795. 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 127.35% of total general fund expenditures.

The fund balance of Hidalgo County Emergency Services District No. 2's general fund decreased by \$157,072 during the current fiscal year, which is \$349,558 less than the prior year. Key factors in this change are as follows:

- The tax receipts, penalties and interest revenues, and other income increased by \$11,526 for the year, and expenditures increased by \$361,084. Total revenues were \$431,713 with total expenditures of \$588,785 netting the \$157,072 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, 2023, amounts to \$92,031 (net). This investment in capital assets includes the purchase of (2) chute gravity sand bagging machines for \$21,254 in 2017, with accumulated depreciation of \$21,254; in addition, in 2023, the District purchased 2 ambulances for a total of \$100,398, \$50,199 each with accumulated depreciation of \$8,367.

**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 STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2023 AND 2022**

**ASSETS AND DEFERRED  
OUTFLOW OF RESOURCES**

	<u>2023</u>	<u>2022</u>
Cash	\$ 186,082	\$ 147,195
Certificate of Deposit	692,817	689,699
Due from County	104,500	103,494
Due from Others	-	-
Tax Assessment Receivable (Net)	359,117	315,770
Fixed Assets (Note 5)	<u>92,031</u>	<u>-</u>
Total Assets	<u>1,434,547</u>	<u>1,256,158</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 1,434,547</u></u>	<u><u>\$ 1,256,158</u></u>

**LIABILITIES, DEFERRED INFLOW  
OF RESOURCES**

Liabilities		
Trade Payable	\$ 233,333	\$ 33,333
Due to Tax Attorney	<u>271</u>	<u>188</u>
Total Liabilities	<u>233,604</u>	<u>33,521</u>
Deferred Inflow of Resources	<u>-</u>	<u>-</u>
Net Position		
Net Invested in Capital Assets	92,031	-
Unrestricted	<u>1,108,912</u>	<u>1,222,637</u>
Total Net Position	<u>1,200,943</u>	<u>1,222,637</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 1,434,547</u></u>	<u><u>\$ 1,256,158</u></u>

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, 2023**

<u>Program Activities</u>	<u>Expenses</u>	<u>Taxes Penalties/Interest</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental activities				
General government and administration	\$ 141,674	\$ 114,862	\$ -	\$ (26,812)
Service Contracts	365,663	365,663		-
Interest on long-term debt	-			
 Total governmental activities	 \$ 507,337	 \$ 480,525	 \$ -	 \$ (26,812)
 General revenues:				
Investment earnings				2,753
Gain (loss) on sale/retirement of capital assets				-
Miscellaneous				2,365
Total general revenues				5,118
Changes in net position				(21,694)
Net position at beginning of year				1,222,637
Net position at end of year				\$ 1,200,943

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, 2022**

<u>Program Activities</u>	<u>Expenses</u>	<u>Taxes Penalties/Interest</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental activities				
General government and administration	\$ 52,031	\$ 259,686	\$ -	\$ 207,655
Service Contracts	183,603	183,603	-	-
Interest on long-term debt	-	-	-	-
 Total governmental activities	 \$ 235,634	 \$ 443,289	 \$ -	 \$ 207,655
 General revenues:				
Investment earnings				1,674
Gain (loss) on sale/retirement of capital assets				-
Miscellaneous				-
Total general revenues				<u>1,674</u>
Changes in net position				209,329
Net position at beginning of year				<u>1,013,308</u>
Net position at end of year				<u>\$ 1,222,637</u>

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from tax payers	\$ 427,954	\$ 418,317
Cash received from others	-	-
Cash payments to employees for services	-	-
Cash payments to suppliers for goods and services	(122,641)	(44,098)
Cash payments for service contracts	<u>(165,663)</u>	<u>(257,984)</u>
Net Cash Provided by Operating Activities	139,650	116,235
<b>Cash Flows From Capital Activities:</b>		
Fixed Asset Additions	<u>(100,398)</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on cash and cash investments	<u>2,753</u>	<u>1,674</u>
Net Increase (Decrease) In Cash	42,005	117,909
Cash at the Beginning of the Year	<u>836,894</u>	<u>718,985</u>
Cash at the End of the Year	<u><u>\$ 878,899</u></u>	<u><u>\$ 836,894</u></u>
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b>		
Income (loss) from operations	\$ (26,812)	\$ 207,655
Depreciation Expense	8,367	2,833
Changes in Assets		
Due from the County	(1,006)	(196)
Due from the Others	-	-
Tax Receivable	(43,347)	(19,676)
Changes in Liabilities		
Accrued Expense	200,083	(74,381)
Other Income	<u>2,365</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ 139,650</u></u>	<u><u>\$ 116,235</u></u>
<b>Reconciliation of total cash and cash investments</b>		
Current Cash	\$ 186,082	\$ 147,195
Certificate of Deposits	<u>692,817</u>	<u>689,699</u>
Total Cash and Cash Investments	<u><u>\$ 878,899</u></u>	<u><u>\$ 836,894</u></u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

**ASSETS**

	<u>2023</u>	<u>2022</u>
Cash	\$ 186,082	\$ 147,195
Certificate of Deposit	692,817	689,699
Due from County	104,500	103,494
Due from Others	-	-
Tax Assessment Receivable (Net)	<u>359,117</u>	<u>315,770</u>
 Total Assets	 <u>1,342,516</u>	 <u>1,256,158</u>
 Deferred Outflow of Resources	 <u>-</u>	 <u>-</u>
 Total Assets and Deferred Outflow of Resources	 <u><u>\$ 1,342,516</u></u>	 <u><u>\$ 1,256,158</u></u>

**LIABILITIES, DEFERRED INFLOW OF  
RESOURCES, AND NET POSITION**

Trade Payable	\$ 233,333	\$ 33,333
Due to Tax Attorney	<u>271</u>	<u>188</u>
 Total Liabilities	 <u>233,604</u>	 <u>33,521</u>
 Deferred Inflow of Resources	 <u>359,117</u>	 <u>315,770</u>
 Fund Balance Unrestricted	 <u>749,795</u>	 <u>906,867</u>
 Total Liabilities, Deferred Inflow of Resources, and Fund Balance	 <u><u>\$ 1,342,516</u></u>	 <u><u>\$ 1,256,158</u></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 BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**FOR TH E YEAR ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Total fund balances-total governmental funds	\$ 749,795	\$ 906,867
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	92,031	-
Deferred revenues are not considered available financial resources and therefore, are not reported in the governmental fund balance sheet equity section	<u>359,117</u>	<u>315,770</u>
Net position of governmental activities	<u><u>\$ 1,200,943</u></u>	<u><u>\$ 1,222,637</u></u>

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



**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

	General Fund	
	2023	2022
<b>Revenues</b>		
Tax Receipts, Net of Refunds	\$ 408,935	\$ 397,673
Penalties & Interest	17,660	20,840
Interest	2,753	1,674
Other Income	2,365	-
Total Revenues	431,713	420,187
<b>Expenditures</b>		
Administrative Expenses		
Salaries	12,855	-
Advertising	1,120	-
Auto Expense	2,511	-
Travel	18,547	2,398
Legal and Professional	70,828	32,327
Insurance	6,179	2,616
Dues and Subscriptions	550	550
Office	2,945	1,397
Miscellaneous	3,229	640
Collection and Assessment Fees Hidalgo County (Note 1)	3,960	4,170
Total Administrative Expenses	122,724	44,098
Service Contract		
Ambulance Contract	360,000	173,229
Aid to Communities	5,663	10,374
Capital Outlay	100,398	-
Total Expenditures	588,785	227,701
Excess of Revenues Over (Under) Expenditures	(157,072)	192,486
Fund Balance, January 1,	906,867	714,381
Fund Balance, December 31,	\$ 749,795	\$ 906,867

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Net change in fund balance-total governmental funds	\$ (157,072)	\$ 192,486
Amounts reported for governmental activities in the statement of net position are different because:		
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	100,398	-
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.	(8,367)	(2,833)
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.	45,635	24,157
Tax adjustments and allowance for uncollectible amounts are recognized thru the deferred revenue accounts in the governmental funds		
Tax adjustments	8,295	619
Allowance for bad-debt expenses	<u>(10,583)</u>	<u>(5,100)</u>
Changes in net position of governmental activities	<u>\$ (21,694)</u>	<u>\$ 209,329</u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance	
	Original	Final	GAAP	With	2022
			Basis	Final	Actual
				Budget	
<b>Revenues</b>					
Property Taxes	\$ 410,000	\$ 410,000	\$ 408,935	\$ (1,065)	\$ 397,673
Penalties & Interest	15,000	15,000	17,660	2,660	20,840
Interest	1,200	1,200	2,753	1,553	1,674
Other Income	1,500	1,500	2,365	865	-
Total Revenues	<u>427,700</u>	<u>427,700</u>	<u>431,713</u>	<u>4,013</u>	<u>420,187</u>
<b>Expenditures</b>					
General Government	80,300	133,730	122,724	11,006	44,098
Service Contracts					
Ambulance Services	300,000	341,667	360,000	(18,333)	173,229
Aid to Communities	20,000	20,000	5,663	14,337	10,374
Capital Outlay	125,000	100,398	100,398	-	-
Total Expenditures	<u>525,300</u>	<u>595,795</u>	<u>588,785</u>	<u>7,010</u>	<u>227,701</u>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<u>(97,600)</u>	<u>(168,095)</u>	<u>(157,072)</u>	<u>11,023</u>	<u>192,486</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers-in (Out)	-	-	-	-	-
COVID-19 Reimbursements	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues</b>					
<b>and other Financing Sources</b>					
<b>Over Expenditures and Other Uses</b>	<u>\$ (97,600)</u>	<u>\$ (168,095)</u>	<u>\$ (157,072)</u>	<u>\$ 11,023</u>	<u>192,486</u>
<b>Fund Balance, January 1,</b>			<u>906,867</u>		<u>714,381</u>
<b>Fund Balance, December 31,</b>			<u>\$ 749,795</u>		<u>\$ 906,867</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 78<sup>th</sup> 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-volorem 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; the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The 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. 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.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1.**

**NATURE OF DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

At no time during the current fiscal year did the organization's deposits go over the Federal Depository Insurance Corporation (FDIC) Insurance of \$250,000, and 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 disclosures 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, 2023, were \$1,120.

(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.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

- (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.
- (j). Capital Leases  
On January 1, 2022, the District adopted Accounting Standards Update, ("ASU"), 2016-2 Leases. Lessees are required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the Statements of Financial Position for operating leases. Leases are classified as either operating or financing which in turn determines expense recognition. For operating leases, a single lease cost is calculated and allocated over the lease term on a straight-line basis. In July 2018, the FASB provided entities relief from the transaction requirements in ASU 2016-02 by allowing them to elect not to recast prior comparative periods. A full retrospective transition approach is not permitted. The District is using a modified retrospective approach to adopting the guidance and as such there will be no restatement of prior financial statements. As permitted under the transition guidance, the District elected a package of practical expedients which, among other provisions, allowed the District to carry forward historical lease classifications. Short-term leases, 12 months or less, are exempt under the guidance and are not capitalized on the Statement of Financial Position. The adoption of ASU 2016-02 did not have a material impact on the District's financial position. There are no capital leases currently.

**NOTE 2. CONCENTRATION OF CREDIT RISK**

The District maintains its cash balance in four accounts at one financial institution located in Edinburg, 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	\$ 891,780	\$ 878,899		
Total	<u>\$ 891,780</u>	<u>\$ 878,899</u>		

<u>Financial Institution</u>	<u>FDIC Coverage</u>	<u>Securities Pledged</u>	<u>Cash on Deposit</u>	<u>Excess (Deficiency) In Depository Security</u>
Texas National Bank	\$ 448,963	\$ 956,789	\$ 891,780	\$ 513,972
Total	<u>\$ 448,963</u>	<u>\$ 956,789</u>	<u>\$ 891,780</u>	<u>\$ 513,972</u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023, 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, 2023.

**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 a vote of 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 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Tax Rate	0.0347	0.0347
Market Value	\$ 2,390,270,493	\$ 1,957,229,971
Assessed Value	1,600,647,774	1,366,834,524
Assessed Taxes	454,234	419,891
Net Tax Adjustment	8,295	620
Net Assessment	462,529	420,511
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, 2023, the County's record reflected total tax receivable for the District as follows:



**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4. REVENUES AND REVENUE RECOGNITION (CONTINUED)**

	<u>Total Tax</u>	<u>Rollback Tax</u>	<u>Current Tax</u>	<u>Delinquent Tax</u>
Property Tax Receivable, January 1,	\$ 394,702	\$ 41	\$ -	\$ 394,661
2022 Tax Assessments	454,234	-	454,234	-
Tax Collections	(408,599)	(1,071)	(132,213)	(275,315)
Adjustments	<u>8,295</u>	<u>2,085</u>	<u>10,949</u>	<u>(4,739)</u>
Property Tax Receivable, December 31,	448,632	1,055	332,970	114,607
Less: Allowance for Uncollectible	<u>(89,515)</u>	<u>-</u>	<u>-</u>	<u>(89,515)</u>
Total Tax Receivable (Net)	<u><u>\$ 359,117</u></u>	<u><u>\$ 1,055</u></u>	<u><u>\$ 332,970</u></u>	<u><u>\$ 25,092</u></u>

Uncollectible amounts are estimated to be 20% of the delinquent taxes at December 31, 2023.

**NOTE 5. FIXED ASSETS**

Fixed asset activity for the year ended December 31, 2023 is as follows:

	<u>Balances @ 1/1/2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance @ 12/31/2023</u>
<u>Governmental Activities</u>				
Capital Assets Being Depreciated:				
Machinery & Equipment	<u>\$ 21,254</u>	<u>\$ 100,398</u>	<u>\$ -</u>	<u>\$ 121,652</u>
Less: Accumulated Depreciation				
Machinery & Equipment	<u>21,254</u>	<u>8,367</u>	<u>-</u>	<u>29,621</u>
Total Capital Assets, Being Depreciated, Net	<u><u>\$ -</u></u>	<u><u>\$ 92,031</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 92,031</u></u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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	<u>\$ 359,117</u>

**NOTE 7. COMMITMENTS**

Service Contract With Hidalgo County EMS

On November 10, 2022, the District had entered into a six-month service contract with County of Hidalgo Emergency Medical Services requiring monthly payments of \$25,000 due to expire May 14, 2023. On April 19, 2023, the District had entered into a six-month service contract with County of Hidalgo Emergency Medical Services due to expire November 14, 2023. On October 31, 2023, the District had entered into a one-year service contract with County of Hidalgo Emergency Medical Services requiring monthly payments of \$25,000 from November 14, 2023, and terminating November 14, 2024.

The City of Mercedes is paid monthly \$4,167 for the area within the boundaries of East of Mile 2 West all the way to the county line on the East of Mile 14 North, then everything South of Mile 14 ½ North all the way to the border from East of Mile 2 West.

	<u>2023</u>	<u>2022</u>
Pharr Emergency Medical Services	\$ -	\$ 98,229
City of Mercedes	50,000	50,000
Hidalgo County	300,000	25,000
Hidalgo County (Prorated)	10,000	-
Total	<u>\$ 360,000</u>	<u>\$ 173,229</u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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.        RELATED PARTY TRANSACTIONS**

As reflected on Note 4, Hidalgo County Office Tax Assessor-Collector, assess and collects property taxes for the District.

County Commissioner, Tony Fuentes appoints the District's board members.

**NOTE 10.      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 12.      SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 1, 2024, 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, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax Rate	0.0347	0.0347	0.0352	0.0352	0.0360
Market Value	\$ 2,390,270,493	\$ 1,957,229,971	\$ 1,793,079,724	\$ 1,634,328,361	\$ 1,537,070,490
Assesed Value	1,600,647,774	1,366,834,524	1,270,164,938	1,142,961,285	1,045,521,481
Taxable Value	1,418,278,218	1,204,472,027	1,111,957,474	990,690,966	893,645,719
Tax Assessment	454,234	419,891	386,169	348,905	321,712
Adjustments	<u>8,295</u>	<u>620</u>	<u>8,800</u>	<u>(3,705)</u>	<u>8,341</u>
Net Assessment	\$ 462,529	\$ 420,511	\$ 394,969	\$ 345,200	\$ 330,053
Penalties & Interest	17,660	20,840	18,749	16,185	18,039
General Revenues	<u>2,753</u>	<u>1,674</u>	<u>429</u>	<u>3,757</u>	<u>7,363</u>
Tax Revenues	\$ 482,942	\$ 443,025	\$ 414,147	\$ 365,142	\$ 355,455
Tax Collections	408,599	395,735	388,534	332,786	328,301
% of Assessment	88.34%	94.11%	98.37%	96.40%	99.47%