

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

YEAR ENDED DECEMBER 31, 2022

BOARD OF COMMISSIONERS

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Anna Flores	Vice-President
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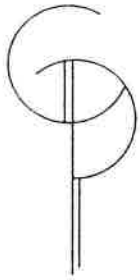
**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 2
AS OF DECEMBER 31, 2022**

TABLE OF CONTENTS

<u>PART 1 – FINANCIAL SECTION</u>	<u>PAGE</u>
Auditor’s Opinion	a
Management’s Discussion and Analysis	d
Government-Wide Statement of Net Position	1
Government-Wide Statement of Activities	2
Statement of Cash Flows	4
Fund Financial Statements	
GOVERNMENTAL FUNDS:	
Balance Sheets	5
Reconciliation of the Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to Statement of Activities	8
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual	9
Notes to Financial Statements	10
<u>PART 11 – SUPPLEMENTAL SECTION</u>	
Supplementary Information	18

PART 1

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, 2022, with comparison to December 31, 2021, 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, 2022, 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.

Garcia & Pena,
Certified Public Accountants
Weslaco, Texas 78599

July 17, 2023

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, 2022, 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 increased \$209,329 as a result of this year's operations and in the prior year's net position increased by \$255,903.
- In spite of the \$27,109 increase in taxes, the increase of expenses of \$32,436, a decrease of general revenues of \$1,965 and a decrease of \$32,282 of COVID-19 reimbursements; our \$209,329 change in net position decreased by \$46,574 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 revenues over expenditures of \$192,486, increasing the fund balance to \$906,867. The fund balance is 299.59% (percent) of total general fund expenditures. The current year decrease from the prior years' increase of \$254,755 is \$62,269. This was the result of expenses increasing \$29,790, and a decrease of \$32,479 in revenues. Revenues increased \$6,677 in tax receipts. Administrative expenses decreased by \$21,655 and service contracts increased by \$41,928 and aid to communities increased \$9,517. This year's collection rate was 94.11% versus 98.37% 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

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 \$1,222,637 at the close of the most recent fiscal year.

By far the largest portion of Hidalgo County Emergency Services District No. 2 net position (68.45 percent) reflects its investment in cash of \$836,894.

The remaining balance of \$315,770 (tax receivables) are not currently available until collected in subsequent years.

Governmental activities. Tax receipts, penalties, and interest amounts to \$443,289 an increase of 6.51% over the last fiscal year and with a \$1,965 decrease in general revenues. Expenses were \$235,634, up from \$203,198 in the previous year, netting a \$209,329 increase 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 \$906,867, 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 \$906,867. 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 299.59% of total general fund expenditures.

The fund balance of Hidalgo County Emergency Services District No. 2's general fund increased by \$192,486 during the current fiscal year, which is \$62,269 less than the prior year. Key factors in this change are as follows:

- The tax receipts, penalties and interest revenues, and other income decreased by \$32,479 for the year, and expenditures decreased by \$29,790. Total revenues were \$420,187 with total expenditures of \$227,701 netting the \$192,486 increase.

CAPITAL ASSETS

Capital Assets. Hidalgo County Emergency Services District No. 2's investment in capital assets for its governmental activities as of December 31, 2022, amounts to \$-0- (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.

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, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>2022</u>	<u>Restated 2021</u>
Cash	\$ 147,195	\$ 330,961
Certificate of Deposit	689,699	388,024
Due from County	103,494	103,298
Due from Others	-	-
Tax Assessment Receivable (Net)	315,770	296,094
Fixed Assets (Note 5)	<u>-</u>	<u>2,833</u>
Total Assets	<u>1,256,158</u>	<u>1,121,210</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 1,256,158</u>	<u>\$ 1,121,210</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES		
Liabilities		
Trade Payable	\$ 33,333	\$ 107,743
Due to Tax Attorney	<u>188</u>	<u>159</u>
Total Liabilities	<u>33,521</u>	<u>107,902</u>
Deferred Inflow of Resources	<u>-</u>	<u>-</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	-	2,833
Unrestricted	<u>1,222,637</u>	<u>1,010,475</u>
Total Net Position	<u>1,222,637</u>	<u>1,013,308</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 1,256,158</u>	<u>\$ 1,121,210</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, 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		-
Aid to Communities				
Covid-19 Expenses	-			-
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, as adjusted (Note 10)				<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
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
DECEMBER 31, 2021

<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	\$ 71,040	\$ 284,022	\$ 39,282	\$ 252,264
Service Contracts	132,158	132,158	-	-
Interest on long-term debt	-	-	-	-
Total governmental activities	<u>\$ 203,198</u>	<u>\$ 416,180</u>	<u>\$ 39,282</u>	<u>\$ 252,264</u>
General revenues:				
Investment earnings				1,935
Gain (loss) on sale/retirement of capital assets				
Miscellaneous				<u>1,704</u>
Total general revenues				<u>3,639</u>
Changes in net position				255,903
Net position at beginning of year, as adjusted (Note 10)				<u>757,405</u>
Net position at end of year				<u><u>\$ 1,013,308</u></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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Cash received from tax payers	\$ 418,317	\$ 383,418
Cash received from others	-	39,282
Cash payments to employees for services	-	-
Cash payments to suppliers for goods and services	(44,098)	(126,457)
Cash payments for service contracts	<u>(257,984)</u>	<u>(65,753)</u>
Net Cash Provided by Operating Activities	116,235	230,490
Cash Flows From Capital Activities:		
Fixed Asset Additions	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities:		
Interest on cash and cash investments	<u>1,674</u>	<u>1,935</u>
Net Increase (Decrease) In Cash	117,909	232,425
Cash at the Beginning of the Year	<u>718,985</u>	<u>486,560</u>
Cash at the End of the Year	<u><u>\$ 836,894</u></u>	<u><u>\$ 718,985</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities		
Income (loss) from operations	\$ 207,655	\$ 252,264
Depreciation Expense	2,833	4,251
Changes in Assets		
Due from the County	(196)	(28,031)
Due from the Others	-	-
Tax Receivable	(19,676)	(5,399)
Changes in Liabilities		
Accrued Expense	(74,381)	5,701
Other Income	<u>-</u>	<u>1,704</u>
Net cash provided (used) by operating activities	<u><u>\$ 116,235</u></u>	<u><u>\$ 230,490</u></u>
Reconciliation of total cash and cash investments		
Current Cash	\$ 147,195	\$ 330,961
Certificate of Deposits	<u>689,699</u>	<u>388,024</u>
Total Cash and Cash Investments	<u><u>\$ 836,894</u></u>	<u><u>\$ 718,985</u></u>

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, 2022 AND 2021

ASSETS		
	<u>2022</u>	<u>Restated 2021</u>
Cash	\$ 147,195	\$ 330,961
Certificate of Deposit	689,699	388,024
Due from County	103,494	103,298
Due from Others	-	-
Tax Assessment Receivable (Net)	<u>315,770</u>	<u>296,094</u>
Total Assets	<u>1,256,158</u>	<u>1,118,377</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 1,256,158</u></u>	<u><u>\$ 1,118,377</u></u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION		
Trade Payable	\$ 33,333	\$ 107,743
Due to Tax Attorney	<u>188</u>	<u>159</u>
Total Liabilities	<u>33,521</u>	<u>107,902</u>
Deferred Inflow of Resources	<u>315,770</u>	<u>296,094</u>
Fund Balance		
Unrestricted	<u>906,867</u>	<u>714,381</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u><u>\$ 1,256,158</u></u>	<u><u>\$ 1,118,377</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, 2022 AND 2021

	<u>2022</u>	<u>Restated 2021</u>
Total fund balances-total governmental funds	\$ 906,867	\$ 714,381
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	-	2,833
Deferred revenues are not considered available financial resources and therefore, are not reported in the governmental fund balance sheet equity section	<u>315,770</u>	<u>296,094</u>
Net position of governmental activities	<u>\$ 1,222,637</u>	<u>\$ 1,013,308</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, 2022 AND 2021

	General Fund	
	2022	Restated 2021
<u>Revenues</u>		
Tax Receipts, Net of Refunds	\$ 397,673	\$ 390,996
Penalties & Interest	20,840	18,749
Interest	1,674	1,935
Other Income	-	1,704
COVID-19 Reimbursement	-	39,282
Total Revenues	<u>420,187</u>	<u>452,666</u>
<u>Expenditures</u>		
Administrative Expenses		
Advertising	-	-
Travel	2,398	11,605
Legal and Professional	32,327	44,761
Insurance	2,616	2,496
Dues and Subscriptions	550	1,100
Office	1,397	1,578
Rent Expense	-	-
Miscellaneous	640	436
Collection and Assessment Fees Hidalgo County (Note 1)	<u>4,170</u>	<u>3,777</u>
Total Administrative Expenses	44,098	65,753
Service Contract		
Ambulance Contract	173,229	131,301
Aid to Communities	10,374	857
Covid-19 Expenses	-	-
Capital Outlay	-	-
Total Expenditures	<u>227,701</u>	<u>197,911</u>
Excess of Revenues Over (Under) Expenditures	192,486	254,755
Fund Balance, January 1, As Adjusted (Note 10)	<u>714,381</u>	<u>459,626</u>
Fund Balance, December 31,	<u>\$ 906,867</u>	<u>\$ 714,381</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Net change in fund balance-total governmental funds	\$ 192,486	\$ 254,755
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	-	-
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.	(2,833)	(4,251)
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.	24,157	(2,365)
Tax adjustments and allowance for uncollectible amounts are recognized thru the deferred revenue accounts in the governmental funds		
Tax adjustments	619	8,800
Allowance for bad-debt expenses	<u>(5,100)</u>	<u>(1,036)</u>
Changes in net position of governmental activities	<u>\$ 209,329</u>	<u>\$ 255,903</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, 2022

	Budgeted Amounts		Actual	Variance With	2021
	Original	Final	GAAP	Final	Actual
			Basis	Budget	
Revenues					
Property Taxes	\$ 335,000	\$ 335,000	\$ 397,673	\$ 62,673	\$ 390,996
Penalties & Interest	15,000	15,000	20,840	5,840	18,749
Interest	3,500	3,500	1,674	(1,826)	1,935
Other Income	1,500	1,500	-	(1,500)	1,704
Total Revenues	<u>355,000</u>	<u>355,000</u>	<u>420,187</u>	<u>65,187</u>	<u>413,384</u>
Expenditures					
General Government	104,100	104,100	44,098	60,002	65,753
Service Contracts					
Ambulance Services	250,000	250,000	173,229	76,771	131,301
Aid to Communities	2,000	2,000	10,374	(8,374)	857
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>356,100</u>	<u>356,100</u>	<u>227,701</u>	<u>128,399</u>	<u>197,911</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(1,100)</u>	<u>(1,100)</u>	<u>192,486</u>	<u>193,586</u>	<u>215,473</u>
Other Financing Sources (Uses)					
Operating transfers-in (Out)	-	-	-	-	-
COVID-19 Reimbursements	-	-	-	39,282	39,282
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,282</u>	<u>39,282</u>
Excess (Deficiency) of Revenues					
and other Financing Sources					
Over Expenditures and Other Uses	<u>\$ (1,100)</u>	<u>\$ (1,100)</u>	<u>192,486</u>	<u>\$ 232,868</u>	<u>254,755</u>
Fund Balance, January 1, As Adjusted (Note 10)			<u>714,381</u>		<u>459,626</u>
Fund Balance, December 31,			<u>\$ 906,867</u>		<u>\$ 714,381</u>

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, 2022

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: 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.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

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, 2022, were \$-0-.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

(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.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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	\$ 837,261	\$ 836,894
Total	<u>\$ 837,261</u>	<u>\$ 836,894</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	\$ 397,562	\$ 480,638	\$ 837,261	\$ 40,939
Total	<u>\$ 397,562</u>	<u>\$ 480,638</u>	<u>\$ 837,261</u>	<u>\$ 40,939</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, 2022, 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, 2022.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Tax Rate	0.0347	0.0352
Market Value	\$ 1,957,229,971	\$ 1,793,079,724
Assessed Value	1,366,834,524	1,097,072,474
Assessed Taxes	419,891	386,169
Net Tax Adjustment	620	8,800
Net Assessment	420,511	394,969
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, 2022, 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,	\$ 369,926	\$ 765	\$ -	\$ 369,161
2021 Tax Assessments	419,891	-	419,891	-
Tax Collections	(395,735)	(2,353)	(134,522)	(258,860)
Adjustments	<u>620</u>	<u>1,629</u>	<u>3,020</u>	<u>(4,029)</u>
Property Tax Receivable, December 31,	394,702	41	288,389	106,272
Less: Allowance for Uncollectible	<u>(78,932)</u>	<u>-</u>	<u>-</u>	<u>(78,932)</u>
Total Tax Receivable (Net)	<u><u>\$ 315,770</u></u>	<u><u>\$ 41</u></u>	<u><u>\$ 288,389</u></u>	<u><u>\$ 27,340</u></u>

Uncollectible amounts are estimated to be 20% of the delinquent taxes at December 31, 2022.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5. FIXED ASSETS

Fixed asset activity for the year ended December 31, 2022, is as follows:

	<u>Balances @</u> <u>1/1/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance @</u> <u>12/31/2022</u>
<u>Governmental Activities</u>				
Capital Assets Being Depreciated:				
Machinery & Equipment	\$ 21,254	\$ -	\$ -	\$ 21,254
Less: Accumulated Depreciation				
Machinery & Equipment	18,421	2,833	-	21,254
Total Capital Assets, Being Depreciated, Net	<u>\$ 2,833</u>	<u>\$ (2,833)</u>	<u>\$ -</u>	<u>\$ -</u>

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>\$ 315,770</u>

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7. COMMITMENTS

Service Contract With Hidalgo County EMS

On May 29, 2021, the District had entered into a thirty-six-month service contract with Pharr Emergency Medical Services requiring monthly payments of \$16,372 due to expire May 29, 2024. On August 22, 2022, the Pharr Emergency Medical Services terminated the contract with the District. The District contracted with Hidalgo County to complete the year.

*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>2022</u>	<u>2021</u>
Pharr Emergency Medical Services	\$ 98,229	\$ 97,934
* City of Mercedes	50,000	4,167
Hidalgo County	25,000	
South Texas AirMed	-	29,200
	-	-
Total	<u>\$ 173,229</u>	<u>\$ 131,301</u>

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.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 11. PRIOR PERIOD ADJUSTMENTS

Changes in Net Position	<u>254,755</u>	<u>255,903</u>
Net Position, January 1, 2022	<u>789,381</u>	<u>1,088,308</u>
<u>Prior Period Adjustment:</u>		
* Service Contracts Paid From Prior Years	<u>(75,000)</u>	<u>(75,000)</u>
Total Prior Period	<u>(75,000)</u>	<u>(75,000)</u>
Net position, January 1, 2022, As Adjusted	<u>\$ 714,381</u>	<u>\$ 1,013,308</u>

*To record payable for ambulance services rendered and not paid from July 2020 through December 2021 at \$4,167 per month.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events were evaluated through July 17, 2023, 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, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax Rate	0.0347	0.035	0.0352	0.036	0.036
Market Value	\$ 1,957,229,971	\$ 1,793,079,724	\$ 1,537,070,490	\$ 1,534,090,496	\$ 1,538,180,631
Assess Value	1,418,594,485	1,097,072,474	990,690,966	1,034,521,481	1,051,272,641
Tax Assessment	419,891	386,169	348,905	321,712	325,581
Adjustments	<u>620</u>	<u>8,800</u>	<u>(3,705)</u>	<u>8,341</u>	<u>(4,538)</u>
Net Assessment	\$ 420,511	\$ 394,969	\$ 345,200	\$ 330,053	\$ 321,043
Penalties & Interest	20,840	18,749	16,185	18,039	18,564
General Revenues	<u>1,674</u>	<u>429</u>	<u>3,757</u>	<u>7,363</u>	<u>4,374</u>
Tax Revenues	\$ 443,025	\$ 414,147	\$ 365,142	\$ 355,455	\$ 343,981 #
Tax Collections	395,735	388,534	332,786	328,301	315,204
% of Assessment	94.11%	98.37%	96.41%	99.46%	98.18%