

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1

REEVES COUNTY, TEXAS

FINANCIAL REPORT

DECEMBER 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1

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FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Reeves County Emergency
Services District No. 1
Reeves County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Reeves County Emergency Services District No. 1 (the "District"), for the fifteen-month period ending December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Commissioners
Reeves County Emergency
Services District No. 1

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2020, and the respective changes in financial position for the fifteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 13, 2021

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN-MONTH PERIOD
ENDING DECEMBER 31, 2020**

Management's discussion and analysis of Reeves County Emergency Services District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the fifteen-month period ending December 31, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal period. All current period revenues and expenses are included regardless of when cash is received or paid.

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN-MONTH PERIOD
ENDING DECEMBER 31, 2020**

FUND FINANCIAL STATEMENTS

The combined statements also include 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. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, costs of assessing and collecting taxes, District services and general expenditures.

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$18,991,473 as of December 31, 2020. With the first audit, the District is not presenting comparable prior-year columns in the various comparisons and analysis. In the future years, when prior-year information is available on a comparable basis, a comparable analysis of government-wide changes in net position will be presented.

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN-MONTH PERIOD
ENDING DECEMBER 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is an analysis of government-wide changes in net position:

	Summary of the Statement of Net Position
	2020
Current and Other Assets	\$ 37,017,917
Capital Assets	1,628,310
Total Assets	\$ 38,646,227
Long-Term Liabilities	\$ 4,369,098
Current and Other Liabilities	873,769
Total Liabilities	\$ 5,242,867
Deferred Inflows of Resources	\$ 14,411,887
Net Position:	
Net Investment in Capital Assets	\$ 1,628,310
Unrestricted	17,363,163
Total Net Position	\$ 18,991,473

The following table provides a summary of the District's operations for the fifteen-month period ending December 31, 2020.

	Summary of the Statement of Activities
	2020
Revenues:	
Property Taxes	\$ 19,650,898
Other Revenues	120,927
Total Revenues	\$ 19,771,825
Expenses for Services	780,352
Change in Net Position	\$ 18,991,473
Net Position, Beginning of Year	
Net Position, End of Year	\$ 18,991,473

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN-MONTH PERIOD
ENDING DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2020, was \$22,049,231, primarily due to property tax revenues and note proceeds exceeding service operations and capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the current year to reduce estimated salaries and benefit costs, reduce estimated capital outlay and to budget estimated note proceeds. Actual revenues were \$393,968 less than budgeted revenues. Actual expenditures were \$474,969 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2020, total \$1,628,310 (net of accumulated depreciation) and include land, buildings, equipment and vehicles.

<u>Capital Assets At Year-End, Net of Accumulated Depreciation</u>	
	<u>2020</u>
Capital Assets Not Being Depreciated:	
Land	\$ 425,000
Construction in Progress	132,876
Capital Assets, Net of Accumulated Depreciation:	
Buildings and Improvements	401,517
Equipment and Vehicles	<u>668,917</u>
Total Net Capital Assets	<u>\$ 1,628,310</u>

LONG-TERM DEBT ACTIVITY

As of December 31, 2020, the District had debt payable of \$5,062,500. The changes in the debt position of the District during the fifteen-month period ended December 31, 2020, are summarized as follows:

Notes Payable, October 1, 2019	\$ -0-
Add: Note Proceeds	5,062,500
Notes Payable, December 31, 2020	<u>\$ 5,062,500</u>

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN-MONTH PERIOD
ENDING DECEMBER 31, 2020**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Reeves County Emergency Services District No. 1, c/o Radcliff Bobbitt Adams Polly PLLC., 2929 Allen Parkway, Suite 3450, Houston, TX 77019.

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2020

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 23,484,986	\$	\$ 23,484,986
Cash with Reeves County	1,391,457		1,391,457
Receivables: Property Taxes	12,123,743		12,123,743
Due from Other Governments	17,731		17,731
Land		425,000	425,000
Construction in Progress		132,876	132,876
Capital Assets (Net of Accumulated Depreciation)		1,070,434	1,070,434
TOTAL ASSETS	\$ 37,017,917	\$ 1,628,310	\$ 38,646,227
LIABILITIES			
Accounts Payable	\$ 160,367	\$	\$ 160,367
Due to Other Governmental Units	20,000		20,000
Long-Term Liabilities:			
Notes Payable, Due Within One Year		693,402	693,402
Notes Payable, Due After One Year		4,369,098	4,369,098
TOTAL LIABILITIES	\$ 180,367	\$ 5,062,500	\$ 5,242,867
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 14,788,319	\$ (376,432)	\$ 14,411,887
FUND BALANCE			
Unassigned	\$ 22,049,231	\$ (22,049,231)	\$
TOTAL FUND BALANCE	\$ 22,049,231	\$ (22,049,231)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 37,017,917		
NET POSITION			
Net Investment in Capital Assets		\$ 1,628,310	\$ 1,628,310
Unrestricted		17,363,163	17,363,163
TOTAL NET POSITION		\$ 18,991,473	\$ 18,991,473

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

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balance - Governmental Fund \$ 22,049,231

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

Land, construction in progress, and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 1,628,310

Deferred inflows of resources related to property tax revenues for the 2019 tax levy became part of recognized revenues in the governmental activities of the District. 376,432

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Notes Payable Within One Year	\$ (693,402)	
Notes Payable After One Year	<u>(4,369,098)</u>	<u>(5,062,500)</u>

Total Net Position - Governmental Activities \$ 18,991,473

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

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FIFTEEN-MONTH PERIOD
ENDING DECEMBER 31, 2020

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 19,274,466	\$ 376,432	\$ 19,650,898
Penalty and Interest	98,832		98,832
Investment Revenues	22,095		22,095
TOTAL REVENUES	\$ 19,395,393	\$ 376,432	\$ 19,771,825
 EXPENDITURES/EXPENSES			
Service Operations:			
District Services - The Town of Pecos City, Texas	\$ 169,285	\$	\$ 169,285
Salaries and Benefits	128,606		128,606
Accounting	28,307		28,307
Appraisal District Fees	64,895		64,895
Legal Fees - General	123,027		123,027
Legal Fees - Delinquent Tax Collections	33,366		33,366
Tax Assessor/Collector Fees	17,044		17,044
Utilities	3,569		3,569
Repairs and Maintenance	8,036		8,036
Depreciation		3,919	3,919
Other	59,326		59,326
Capital Outlay	1,710,701	(1,632,229)	78,472
Debt Service:			
Loan Origination Fees	62,500		62,500
TOTAL EXPENDITURES/EXPENSES	\$ 2,408,662	\$ (1,628,310)	\$ 780,352
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 16,986,731	\$ 2,004,742	\$ 18,991,473
OTHER FINANCING SOURCES (USES)			
Note Proceeds	\$ 5,062,500	\$ (5,062,500)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 22,049,231	\$ (22,049,231)	\$
CHANGE IN NET POSITION		18,991,473	18,991,473
FUND BALANCE/NET POSITION - OCTOBER 1, 2019	_____	_____	_____
FUND BALANCE/NET POSITION - DECEMBER 31, 2020	\$ 22,049,231	\$ (3,057,758)	\$ 18,991,473

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

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE FIFTEEN-MONTH PERIOD
ENDING DECEMBER 31, 2020**

Net Change in Fund Balance - Governmental Fund \$ 22,049,231

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

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied. 376,432

Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (3,919)

Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities. 1,632,229

Governmental funds report note proceeds as other financing sources. However, in the government-wide financial statements, the issuance of debt increases long-term liabilities and does not affect the Statement of Activities. (5,062,500)

Change in Net Position - Governmental Activities \$ 18,991,473

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

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REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. CREATION OF DISTRICT

Reeves County Emergency Services District No. 1 (the “District”), located in Reeves County, Texas, was created by the Commissioners’ Court of Reeves County on May 28, 2019, in accordance with Article III, Section 48-e, of the Texas Constitution. The District operates under Chapter 775 of the Health and Safety Code. The District was established to provide funds for the contracting of emergency services within the boundaries of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Fund Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund; therefore, this fund is a major fund.

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, costs of assessing and collecting taxes and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenues include the 2019 tax levy collections during the period October 1, 2019, to December 31, 2020. The 2020 tax levy has been fully deferred to meet the District’s planned expenditures in the 2021 fiscal year.

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion. Installation costs, professional fees and certain other costs are capitalized as part of the asset.

Personal tangible assets (computers, office machines, office furniture, etc.) and all other capital assets (including installation costs and professional fees) are capitalized if they have an original cost of \$50,000 or more and a useful life of at least two years. Depreciation is calculated on each

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Furniture and Equipment	5-20
Vehicles	7-15

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Commissioners. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District makes payments into the social security system for the employees. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only. See Note 9 for the District’s pension plan.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Fund Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have any assigned balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. TAX LEVY

On May 4, 2019, the voters of the District approved a maximum tax rate of \$0.10 per \$100 of assessed valuation on all taxable property within the District. During for the fifteen-month period ending December 31, 2020, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$19,650,898 on the on the adjusted taxable valuation of \$19,650,858,520 for the 2019 tax year and levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$14,411,887 on the on the adjusted taxable valuation of \$14,411,886,540 for the 2020 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At December 31, 2020, the carrying amount of the District’s deposits was \$23,484,986 and the bank balance was \$23,857,030. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at December 31, 2020, as listed below:

	Cash
GENERAL FUND	\$ 23,484,986

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of December 31, 2020, the District did not have any investments.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the fifteen-month period ended December 31, 2020 is as follows:

	October 1, 2019	Increases	Decreases	December 31, 2020
Capital Assets Not Being Depreciated				
Land	\$	\$ 425,000	\$	\$ 425,000
Construction in Progress		1,632,229	1,499,353	132,876
Total Capital Assets Not Being Depreciated	\$ - 0 -	\$ 2,057,229	\$ 1,499,353	\$ 557,876
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$	\$ 402,648	\$	\$ 402,648
Equipment and Vehicles		671,705		671,705
Total Capital Assets Subject to Depreciation	\$ - 0 -	\$ 1,074,353	\$ - 0 -	\$ 1,074,353
Less Accumulated Depreciation				
Buildings and Improvements	\$	\$ 1,131	\$	\$ 1,131
Equipment and Vehicles		2,788		2,788
Total Accumulated Depreciation	\$ - 0 -	\$ 3,919	\$ - 0 -	\$ 3,919
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ 1,070,434	\$ - 0 -	\$ 1,070,434
Total Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ 3,127,663	\$ 1,499,353	\$ 1,628,310

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6. CONTRACT FOR PROVIDING EMERGENCY SERVICES

The District has contracted with the Town of Pecos City, Texas (the “City”) for fire protection and emergency services to the persons and commercial interests within the boundaries of the District. The term of the current contract is for 12 months commencing on January 1, 2020 and ending December 31, 2020. This agreement shall automatically renew after the term for successive one-year terms until the District provides written documentation stating that the District is assuming full responsibility for fire services, unless terminated in accordance with Section VIII of this agreement or a new agreement is entered into.

NOTE 7. RISK MANAGEMENT

Section 775.033 of the Texas Health and Safety Code states that a District is not liable for a claim arising from the act or omission of an employee or volunteer under an oral or written contract with the District if the act or omission: (1) is in the course and scope of the employee’s or volunteer’s duties for the District; (2) takes place or during the provision of emergency services; (3) is not in violation of a statute or ordinance applicable to emergency action; and (4) is not willful or wantonly negligent. The District is exposed to liability for all other acts or omissions outside the scope of this Section of the Texas Health and Safety Code, for which the District carries commercial insurance. There have been no significant reductions in coverages from the prior year and no claims have been filed to date.

NOTE 8. INTERLOCAL AGREEMENTS

On May 28, 2019, the District entered into an agreement with Reeves County Commissioners Court, (the “County”). The County agreed to provide the District \$20,000 for administrative and operations expense. The District agreed to reimburse the County as the funds became available. This amount was reimbursed on February 16, 2021.

On, December 18, 2019, the District and Reeves County Emergency Services District No. 2, (“RCESD No. 2”) entered into an interlocal agreement for funding and oversight of the joint emergency services chief. The District has entered into an Agreement for Employment with an individual to serve as the Emergency Services Chief to oversee the joint operations and administration of the Districts. RCESD No. 2 agreed to fund their 50% of the Emergency Services Chief’s salary and benefits and to provide oversight with the District. On March 17, 2020, this agreement was amended to include the joint emergency services employees, capital and operational expenses, and real estate acquisitions and holdings. The Term of this agreement is 40 years.

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9. PENSION PLAN

The District began participation in the Texas County & District Retirement System (TCDRS) as of October 1, 2020, and therefore did not have any participating employees as of the TCERS measurement date, December 31, 2019. A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. The District participates in TCERS, which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCERS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances. At retirement, the account is matched at an employer set percentage(s) (current match is 200%) and is then converted to a lifetime annuity.
 - 4) There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. As of the measurement date, December 31, 2019, the District had no employees covered in TCERS.
- d. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the District and are currently 7%. The actuarially determined employer contribution rate for 2020 was 7.24%. Contributions to the pension plan from the District were \$4,408 for the fifteen-month period ended December 31, 2020.
- e. The most recent comprehensive annual financial report for TCERS can be found at the following link, www.tcders.org.

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10. NOTES PAYABLE

On December 15, 2020, the District entered into a \$5,062,500 promissory note with Government Capital Corporation to finance the fire station facilities and a communications tower. This note is secured with ad valorem tax funds. Beginning December 29, 2021 and ending December 29, 2027, annual installments of \$764,277.26 are due each December 29th. The interest rate is 1.40%.

The following is a summary of transactions regarding notes payable for the fifteen-month period ended December 31, 2020:

Notes Payable, October 1, 2019	\$ -0-
Add: Note Proceeds	5,062,500
Notes Payable, December 31, 2020	<u>\$ 5,062,500</u>
Notes Payable:	
Due Within One Year	\$ 693,402
Due After One Year	4,369,098
Notes Payable, December 31, 2020	<u>\$ 5,062,500</u>

As of December 31, 2020, the debt service requirements on the notes payable were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 693,402	\$ 70,875	\$ 764,277
2022	703,110	61,167	764,277
2023	712,953	51,324	764,277
2024	722,935	41,342	764,277
2025	733,056	31,222	764,278
2026-2027	<u>1,497,044</u>	<u>31,511</u>	<u>1,528,555</u>
	<u>\$ 5,062,500</u>	<u>\$ 287,441</u>	<u>\$ 5,349,941</u>

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FIFTEEN-MONTH PERIOD
ENDING DECEMBER 31, 2020

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Property Taxes	\$ 15,107,406	\$ 19,767,266	\$ 19,274,466	\$ (492,800)
Penalty and Interest			98,832	98,832
Investment Revenues		22,095	22,095	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 15,107,406</u>	<u>\$ 19,789,361</u>	<u>\$ 19,395,393</u>	<u>\$ (393,968)</u>
EXPENDITURES				
Service Operations:				
District Services - The Town of Pecos City, Texas	\$	\$ 69,159	\$ 169,285	\$ (100,126)
Salaries and Benefits	4,108,875	184,677	128,606	56,071
Accounting		30,000	28,307	1,693
Appraisal District Fees			64,895	(64,895)
Legal Fees - General	200,000	115,536	123,027	(7,491)
Legal Fees - Delinquent Tax Collections			33,366	(33,366)
Tax Assessor/Collector Fees			17,044	(17,044)
Utilities	200,000	1,699	3,569	(1,870)
Repairs and Maintenance	95,000	1,218	8,036	(6,818)
Other	617,500	66,514	59,326	7,188
Capital Outlay	19,880,000	1,464,890	1,710,701	(245,811)
Debt Service	450,000		62,500	(62,500)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 25,551,375</u>	<u>\$ 1,933,693</u>	<u>\$ 2,408,662</u>	<u>\$ (474,969)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (10,443,969)</u>	<u>\$ 17,855,668</u>	<u>\$ 16,986,731</u>	<u>\$ (868,937)</u>
OTHER FINANCING SOURCES(USES)				
Note Proceeds	<u>\$ -0-</u>	<u>\$ 5,000,000</u>	<u>\$ 5,062,500</u>	<u>\$ 62,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ (10,443,969)</u>	<u>\$ 22,855,668</u>	<u>\$ 22,049,231</u>	<u>\$ (806,437)</u>
FUND BALANCE - OCTOBER 1, 2019	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2020	<u>\$ (10,443,969)</u>	<u>\$ 22,855,668</u>	<u>\$ 22,049,231</u>	<u>\$ (806,437)</u>

See accompanying independent auditor's report.

