

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

**REEVES COUNTY, TEXAS**

**FINANCIAL REPORT**

**DECEMBER 31, 2020**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
**Certified Public Accountants**



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

**REEVES COUNTY, TEXAS**

**FINANCIAL REPORT**

**DECEMBER 31, 2020**



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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Reeves County Emergency  
Services District No. 2  
Reeves County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Reeves County Emergency Services District No. 2 (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. 2

## **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 20, 2021



**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
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. 2'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. 2  
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 \$18,400,087 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. 2  
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	\$ 37,056,288
Capital Assets	1,243,787
Total Assets	\$ 38,300,075
Long-Term Liabilities	\$ 4,369,098
Current and Other Liabilities	1,150,243
Total Liabilities	\$ 5,519,341
Deferred Inflows of Resources	\$ 14,380,647
Net Position:	
Net Investment in Capital Assets	\$ 1,243,787
Unrestricted	17,156,300
Total Net Position	\$ 18,400,087

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	\$ 19,651,168
Other Revenues	123,067
Total Revenues	\$ 19,774,235
Expenses for Services	1,374,148
Change in Net Position	\$ 18,400,087
Net Position, Beginning of Year	
Net Position, End of Year	\$ 18,400,087

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
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 \$21,841,983, 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, legal fees and bookkeeper fees. Actual revenues were \$369,785 less than budgeted revenues. Actual expenditures were \$494,649 more than budgeted expenditures.

**CAPITAL ASSETS**

Capital assets as of December 31, 2020, total \$1,243,787 (net of accumulated depreciation) and include land, buildings, equipment and vehicles.

Capital Assets At Year-End, Net of Accumulated Depreciation	
	2020
Capital Assets Not Being Depreciated:	
Land	\$ 425,000
Construction in Progress	92,989
Capital Assets, Net of Accumulated Depreciation:	
Buildings and Improvements	401,517
Equipment and Vehicles	324,281
Total Net Capital Assets	\$ 1,243,787

**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	\$ 5,062,500

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
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. 2, c/o Radcliff Bobbitt Adams Polly PLLC., 2929 Allen Parkway, Suite 3450, Houston, TX 77019.

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**DECEMBER 31, 2020**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 23,565,063	\$	\$ 23,565,063
Cash with Reeves County	1,389,981		1,389,981
Receivables: Property Taxes	12,101,244		12,101,244
Land		425,000	425,000
Construction in Progress		92,989	92,989
Capital Assets (Net of Accumulated Depreciation)		725,798	725,798
<b>TOTAL ASSETS</b>	<b>\$ 37,056,288</b>	<b>\$ 1,243,787</b>	<b>\$ 38,300,075</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 451,127	\$	\$ 451,127
Due to Other Governmental Units	5,714		5,714
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
<b>TOTAL LIABILITIES</b>	<b>\$ 456,841</b>	<b>\$ 5,062,500</b>	<b>\$ 5,519,341</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 14,757,464	\$ (376,817)	\$ 14,380,647
<b>FUND BALANCE</b>			
Unassigned	\$ 21,841,983	\$ (21,841,983)	\$
<b>TOTAL FUND BALANCE</b>	<b>\$ 21,841,983</b>	<b>\$ (21,841,983)</b>	<b>\$ - 0 -</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 37,056,288</b>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 1,243,787	\$ 1,243,787
Unrestricted		17,156,300	17,156,300
<b>TOTAL NET POSITION</b>		<b>\$ 18,400,087</b>	<b>\$ 18,400,087</b>

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



**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

Total Fund Balance - Governmental Fund	\$ 21,841,983
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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.	1,243,787
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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.	376,817
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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		<u>\$ 18,400,087</u>

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



**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**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 \$ 21,841,983

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. 376,817

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. (3,308)

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. 1,247,095

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 \$ 18,400,087

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

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**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1. CREATION OF DISTRICT**

Reeves County Emergency Services District No. 2 (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. 2**  
**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. 2**  
**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. 2**  
**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. 2**  
**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. 2**  
**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 \$18,530,190 on the on the adjusted taxable valuation of \$18,530,189,540 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 \$14,380,647 on the on the adjusted taxable valuation of \$14,380,646,760 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, 2021, the carrying amount of the District’s deposits was \$23,565,063 and the bank balance was \$23,648,144. 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	\$ 23,565,063

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. 2**  
**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
<b>Capital Assets Not Being Depreciated</b>				
Land	\$	\$ 425,000	\$	\$ 425,000
Construction in Progress		1,247,095	1,154,106	92,989
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ - 0 -</b>	<b>\$ 1,672,095</b>	<b>\$ 1,154,106</b>	<b>\$ 517,989</b>
<b>Capital Assets Subject to Depreciation</b>				
Buildings and Improvements	\$	\$ 402,648	\$	\$ 402,648
Equipment and Vehicles		326,458		326,458
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ - 0 -</b>	<b>\$ 729,106</b>	<b>\$ - 0 -</b>	<b>\$ 729,106</b>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	\$	\$ 1,131	\$	\$ 1,131
Equipment and Vehicles		2,177		2,177
<b>Total Accumulated Depreciation</b>	<b>\$ - 0 -</b>	<b>\$ 3,308</b>	<b>\$ - 0 -</b>	<b>\$ 3,308</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ - 0 -</b>	<b>\$ 725,798</b>	<b>\$ - 0 -</b>	<b>\$ 725,798</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ - 0 -</b>	<b>\$ 2,397,893</b>	<b>\$ 1,154,106</b>	<b>\$ 1,243,787</b>

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**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 ambulance and emergency services to the persons and commercial interests within the boundaries of the District. The term of the current contract is for 13 months commencing on December 1, 2019 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, December 18, 2019, the District and Reeves County Emergency Services District No. 1, (“RCESD No. 1”) 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. 1 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. 2**  
**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 \$3,711 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](http://www.tcders.org).

**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**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 29<sup>th</sup>. 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. 2**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2020**





**REEVES COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**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>
<b>REVENUES</b>				
Property Taxes	\$ 14,750,000	\$ 19,744,136	\$ 19,274,351	\$ (469,785)
Penalty and Interest			98,839	98,839
Investment Revenues		23,067	24,228	1,161
<b>TOTAL REVENUES</b>	<u>\$ 14,750,000</u>	<u>\$ 19,767,203</u>	<u>\$ 19,397,418</u>	<u>\$ (369,785)</u>
<b>EXPENDITURES</b>				
Service Operations:				
District Services - The Town of Pecos City, Texas	\$	\$ 400,000	\$ 791,466	\$ (391,466)
Salaries and Benefits	562,740	168,827	116,435	52,392
Accounting		30,000	21,468	8,532
Appraisal District Fees			64,895	(64,895)
Legal Fees - General		150,000	112,173	37,827
Legal Fees - Delinquent Tax Collections			33,366	(33,366)
Tax Assessor/Collector Fees			17,045	(17,045)
Utilities	15,600	3,000	3,866	(866)
Repairs and Maintenance	4,500	4,666	8,361	(3,695)
Other	427,500	76,389	56,886	19,503
Capital Outlay	2,100,000	1,290,404	1,329,474	(39,070)
Debt Service			62,500	(62,500)
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,110,340</u>	<u>\$ 2,123,286</u>	<u>\$ 2,617,935</u>	<u>\$ (494,649)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 11,639,660</u>	<u>\$ 17,643,917</u>	<u>\$ 16,779,483</u>	<u>\$ (864,434)</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Note Proceeds	<u>\$ - 0 -</u>	<u>\$ 5,000,000</u>	<u>\$ 5,062,500</u>	<u>\$ 62,500</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 11,639,660	\$ 22,643,917	\$ 21,841,983	\$ (801,934)
<b>FUND BALANCE - OCTOBER 1, 2019</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCE - DECEMBER 31, 2020</b>	<u>\$ 11,639,660</u>	<u>\$ 22,643,917</u>	<u>\$ 21,841,983</u>	<u>\$ (801,934)</u>

See accompanying independent auditor's report.

