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**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

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REPORT ON FINANCIAL STATEMENTS  
*(With Supplemental Material)*

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**BREEDLOVE & CO., P.C.**  
*CERTIFIED PUBLIC ACCOUNTANTS*

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# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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JILL A. HENZE, CPA  
President

NICOLE BREEDLOVE HUNT, CPA  
CEO

## INDEPENDENT AUDITORS' REPORT

December 21, 2021

Board of Commissioners  
Southwest Leon County Emergency Services District No. 2  
Hilltop Lakes, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Leon County Emergency Services District No. 2, as of and for the year ended September 30, 2021, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion 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 of 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 opinion.

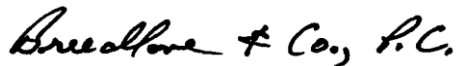
## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Leon County Emergency Services District No. 2, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 19 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.

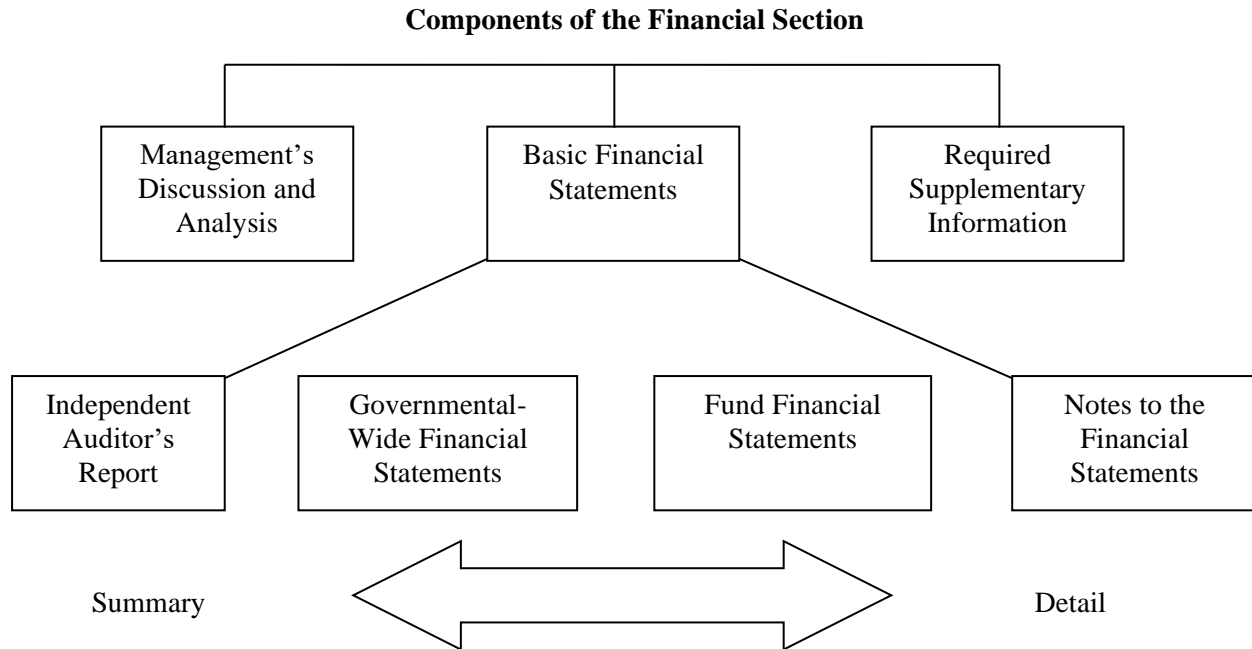
A handwritten signature in black ink, enclosed in a thin yellow rectangular border. The signature reads "Brecklove & Co., P.C." in a cursive script.

## SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2

### MANAGEMENT DISCUSSION & ANALYSIS SEPTEMBER 30, 2021

This discussion and analysis of Southwest Leon County Emergency Services District No. 2's (the District) financial statements provides an overview of the District's financial performance during the fiscal year ended September 30, 2021. Because the Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the District's financial statements and footnotes. Responsibility for this information rests with the management of the District.

### **STRUCTURE OF OUR ANNUAL REPORT**



The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as the MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

#### Government-Wide Statements

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about costs of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

## SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2

### MANAGEMENT DISCUSSION & ANALYSIS

SEPTEMBER 30, 2021

(Continued)

The Statement of Net Position presents information on all the District's assets and liabilities and deferred inflows and outflows. The difference between these is 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 is improving or deteriorating. Other non-financial factors, such as the District's property tax base, need to be considered to assess overall health of the District.

The Statement of Net Position and the Statement of Activities present the District using one class of activity:

Governmental Activities - The District's emergency service operations are reported here.

The government-wide financial statements (Statement of Net Position and Statement of Activities) can be found after the MD&A within this report.

### FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the District. They are usually segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The District's operations are reported using governmental funds.

#### 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 year. Such information may be useful in evaluating the District's near term financing requirements.

Because the focus of governmental funds is narrower than 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*.

The District maintains one individual governmental fund. Information is presented in the governmental fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balance for the general fund which is considered to be a major fund.

The District adopts an annual un-appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

## SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2

### MANAGEMENT DISCUSSION & ANALYSIS

SEPTEMBER 30, 2021

(Continued)

#### Notes to Financial Statements

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

#### Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also contains certain RSI. The RSI that GASB Statement No. 34 requires is the inclusion of a budgetary comparison schedule for the general fund. The RSI can be found after the notes to the financial statements within this report.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For the District, assets exceeded liabilities by \$379,389 as of year-end.

#### Statement of Net Position

The following table reflects condensed information on the District's net position:

|                     | <u>Governmental Activities</u> |                   | <u>Increase</u>   |
|---------------------|--------------------------------|-------------------|-------------------|
|                     | <u>2021</u>                    | <u>2020</u>       | <u>(Decrease)</u> |
| Assets              |                                |                   |                   |
| Current Assets      | <u>\$ 388 018</u>              | <u>\$ 345 536</u> | <u>\$ 42 482</u>  |
| Total Assets        | <u>388 018</u>                 | <u>345 536</u>    | <u>42 482</u>     |
| Liabilities         |                                |                   |                   |
| Current Liabilities | <u>8 629</u>                   | <u>6 668</u>      | <u>1 961</u>      |
| Total Liabilities   | <u>8 629</u>                   | <u>6 668</u>      | <u>1 961</u>      |
| Total Net Position  | <u>\$ 379 389</u>              | <u>\$ 338 868</u> | <u>\$ 40 521</u>  |

The balance of unrestricted net position, \$379,389 may be used to meet the District's ongoing emergency service operations. The overall condition of the District is beginning to experience a decline with expenses continuing to be in excess of revenues throughout the year and as currently projected in the coming year.

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

**MANAGEMENT DISCUSSION & ANALYSIS**

**SEPTEMBER 30, 2021**

(Continued)

Statement of Activities

The Statement of Activities presents the operating results of the District. The following table reflects condensed information on the District's operations for the fiscal years ended September 30, 2021 and September 30, 2020:

|                                  | <u>Governmental Activities</u> |                   |
|----------------------------------|--------------------------------|-------------------|
|                                  | <u>2021</u>                    | <u>2020</u>       |
| Revenues                         |                                |                   |
| Property Taxes                   | \$ 259 815                     | \$ 238 006        |
| Other Income                     | <u>17 932</u>                  | <u>19 385</u>     |
| Total Revenues                   | <u>277 747</u>                 | <u>257 391</u>    |
| Expenditures/Expenses            |                                |                   |
| Contract Emergency Services      | 205 000                        | 200 000           |
| Other Expenditures               | <u>32 226</u>                  | <u>22 783</u>     |
| Total Expenditures/Expenses      | <u>237 226</u>                 | <u>222 783</u>    |
| Increase in Net Position         | 40 521                         | 34 608            |
| Net Position - Beginning of Year | <u>338 868</u>                 | <u>304 260</u>    |
| Net Position - End of Year       | <u>\$ 379 389</u>              | <u>\$ 338 868</u> |

Property tax revenues increased during 2021 due to an increase in valuation of properties within the District.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

The district's general fund reflects a fund balance of \$300,901, which is an increase of \$39,519 from the prior year. This increase is attributed to the increase in appraised property values.



## **SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

### **MANAGEMENT DISCUSSION & ANALYSIS**

**SEPTEMBER 30, 2021**

(Continued)

#### **GENERAL FUND BUDGET HIGHLIGHTS**

Actual general fund revenues were more than budgeted revenues by \$35,074 during the year. This variance is attributable to payment in lieu of taxes and property taxes being more than expected during the year. Actual expenditures in the general fund were more than budgeted expenditures by \$7,556. This variance is mostly attributed to unexpected emergency service expenditures during the year.

#### **ECONOMIC FACTORS**

Provision of rural emergency services (Fire and Emergency Medical Services/EMS) is critical, but often faces challenges of underfunding. Rural areas, such as the region covered by the District, tend to be more sparsely populated, have more limited growth in new taxable property, and often have aging populations with a higher than average demand for EMS support. The District has experienced very limited growth in permanent and predictable taxable property, property values which have been quite flat, and the loss of significant mineral-based taxable property over the past seven years. The District also is subject to (state) constitutional limitation on its property tax rate and is currently at the maximum rate.

The District, in coordination with its service provider, has reduced District operating expenses significantly. And, the District has a long-range planning process to identify potential additional resources, make financial resource projections, and analyze potential service configurations. The District has also provided information to the citizens fully describing its economic challenges. The District's Board of Commissioners intends to continue this three-pronged approach of expense management, long range planning and the enlistment of community support.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be directed to Janice Stark, Treasurer, Southwest Leon County Emergency Services District No. 2, P.O. Box 1623, Hilltop Lakes, Texas 77871.

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2021

|   | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of<br/>Net Position</u> |
|---|---------------------|--------------------|--------------------------------------|
| <u>ASSETS</u>   |                     |                    |                                      |
| Cash and Cash Equivalents   | \$ 103 006          | \$ -               | \$ 103 006                           |
| Investments   | 205 333             | -                  | 205 333                              |
| Taxes Receivable  | 78 488              | -                  | 78 488                               |
| Due from Tax Assessor   | 1 191               | -                  | 1 191                                |
| Total Assets  | <u>\$ 388 018</u>   | <u>\$ -</u>        | <u>\$ 388 018</u>                    |
| <u>LIABILITIES</u>  |                     |                    |                                      |
| Liabilities   |                     |                    |                                      |
| Accounts Payable  | \$ 8 629            | \$ -               | \$ 8 629                             |
| Total Liabilities   | <u>8 629</u>        | <u>-</u>           | <u>8 629</u>                         |
| <u>DEFERRED INFLOWS OF RESOURCES</u>                                  |                     |                    |                                      |
| Unavailable Revenue - Property Taxes                                  | <u>78 488</u>       | <u>( 78 488)</u>   | <u>-</u>                             |
| <u>FUND BALANCE/NET POSITION</u>                                      |                     |                    |                                      |
| Fund Balances   |                     |                    |                                      |
| Unassigned  | <u>300 901</u>      | <u>( 300 901)</u>  | <u>-</u>                             |
| Total Fund Balance  | <u>300 901</u>      |                    |                                      |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 388 018</u>   |                    |                                      |
| Net Position  |                     |                    |                                      |
| Unrestricted  |                     | <u>379 389</u>     | <u>379 389</u>                       |
| Total Net Position  |                     | <u>379 389</u>     | <u>379 389</u>                       |
| Total Liabilities, Deferred Inflows of<br>Resources and Net Position  |                     | <u>\$ -</u>        | <u>\$ 388 018</u>                    |

See Independent Auditors' Report and the accompanying Notes to Financial Statements

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

|  | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of<br/>Activities</u> |
|--|---------------------|--------------------|------------------------------------|
| Revenues                                 |                     |                    |                                    |
| Property Taxes                           | \$ 258 813          | \$ 1 002           | \$ 259 815                         |
| Payments in Lieu of Taxes                | 12 438              | -                  | 12 438                             |
| Penalty and Interest on Property Taxes   | 3 642               | -                  | 3 642                              |
| Interest Earned on Temporary Investments | 1 690               | -                  | 1 690                              |
| Other Income                             | <u>162</u>          | <u>-</u>           | <u>162</u>                         |
| Total Revenues                           | <u>276 745</u>      | <u>1 002</u>       | <u>277 747</u>                     |
| Expenditures/Expenses                    |                     |                    |                                    |
| Appraisal District Fees                  | 6 132               | -                  | 6 132                              |
| Bank Charges                             | 15                  | -                  | 15                                 |
| Collection Fees                          | 2 527               | -                  | 2 527                              |
| Contracted Emergency Services            | 205 000             | -                  | 205 000                            |
| Contributions                            | 10 000              | -                  | 10 000                             |
| Dues and Subscriptions                   | 568                 | -                  | 568                                |
| Insurance                                | 1 796               | -                  | 1 796                              |
| Office Expenses                          | 144                 | -                  | 144                                |
| Professional Services                    | <u>11 044</u>       | <u>-</u>           | <u>11 044</u>                      |
| Total Expenditures/Expenses              | <u>237 226</u>      | <u>-</u>           | <u>237 226</u>                     |
| <br>Excess of Revenues Over Expenditures | <br>39 519          | <br>1 002          | <br>40 521                         |
| Fund Balance/Net Position                |                     |                    |                                    |
| Beginning of Year                        | <u>261 382</u>      | <u>77 486</u>      | <u>338 868</u>                     |
| End of Year                              | <u>\$ 300 901</u>   | <u>\$ 78 488</u>   | <u>\$ 379 389</u>                  |

See Independent Auditors' Report and the accompanying Notes to Financial Statements

## SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

#### NOTE (1) CREATION OF DISTRICT

Southwest Leon County Emergency Services District No. 2 (the "District") is a government entity which provides emergency service to the citizens of Southwest Leon County. The District is not a component unit of another governmental entity. The District was approved by the qualified voters therein of Southwest Leon County in 2002. The purpose of the District is to provide funding for emergency ambulance and fire services and medical aid, generally within the boundaries of Southwest Leon County.

#### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

##### A. REPORTING ENTITY

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39; *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be components units of the District.

The District is a special-purpose government that is governed by a separately appointed governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

##### B. BASIS OF PRESENTATION

The financial transactions of the District are recorded in an individual fund. The funds are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The funds are reported by generic classification within the financial statements.

The District uses the following fund types:

###### a. Governmental Funds

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds.

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021  
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

b. Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose.

The District uses the following classifications for net position:

Net Investment in Capital Assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The board must approve any change in the restriction of this fund balance.

Unrestricted - To indicate net position that is available for use in future period.

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021  
(Continued)**

**NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. BASIS OF ACCOUNTING**

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

The District has adopted GASB 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended September 30, 2021. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents tax revenues adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net position.

**D. BUDGET**

The District annually adopts a budget for the General Fund in accordance with the accounting principles applicable to this fund. The Board of Commissioner's approval is required for revisions that alter the total expenditures. Reported budgeted amounts are as originally adopted. Budgeted amounts lapse annually.

**E. CASH EQUIVALENTS**

The District considers all highly liquid investments with a maturity of twelve months or less from the date of acquisition to be cash equivalents. As of September 30, 2021, the District's cash and cash equivalents consisted of demand deposits and certificates of deposit, with maturities not exceeding three months.

**F. USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

Management considers accounts receivable to be fully collectible at year-end; accordingly, no allowance for doubtful accounts is required.

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021  
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position and governmental funds balance sheet are different because:

|  |    |                |
|--|----|----------------|
| Total Fund Balance at September 30, 2021                     | \$ | 300 901        |
| Conversion of property tax assessments to full accrual basis |    | <u>78 488</u>  |
| Total Net Position at September 30, 2021                     | \$ | <u>379 389</u> |

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

|  |    |               |
|--|----|---------------|
| Change in fund balance                                       | \$ | 39 519        |
| Conversion of property tax assessments to full accrual basis |    | <u>1 002</u>  |
| Change in net position of governmental activities            | \$ | <u>40 521</u> |

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021  
(Continued)

NOTE (3) DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

The contracted depository bank used by the District was Prosperity Bank. The largest cash, savings, and time deposit combined balance during the year ended September 30, 2021 was \$289,405 and occurred in March 2021. These deposits were secured by FDIC coverage of \$250,000. The balance at this bank exceeded the insured balance at various times during the year, but was adequately insured at year end.

The District's deposits are categorized at year-end to give an indication of the level of risk assumed by the district at year-end. The categories are described as follows:

|   |                   |
|---|-------------------|
| Insured   | \$ 103 006        |
| Collateralized:   |                   |
| Collateral held by financial institution in the entity's name | -                 |
| Uninsured and uncollateralized                                | -                 |
| Total Deposits  | <u>\$ 103 006</u> |

At the balance sheet date, deposits with a carrying value of \$205,333 consisted of certificates of deposit with Prosperity Bank and Normangee State Bank.

The largest balance at Normangee State Bank was \$139,703 and occurred in September 2021. These deposits were secured by FDIC coverage. The balance at this bank was adequately insured throughout the year.

Investment Policies

Local governments are subjected to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has complied with the Act's provisions during its fiscal year ended September 30, 2021.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the state, or any county, school district, or other political subdivision of the state. Funds of the District may also be placed in certificates of deposit of state or national banks or savings associations within the state.



## **SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

(Continued)

#### **NOTE (4) AD VALOREM TAX**

During the year ended September 30, 2021, 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 \$263,105 for 2021, on the taxable valuation of \$263,104,910 for the 2021 tax year. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1, at which time penalties and interest were assessed. The levy date of the tax was the prior October 1, or as soon after October 1 as it took to set the tax rate. The lien date was January 1 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2021, included collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

#### **NOTE (5) CONTRACTUAL AGREEMENTS**

The District entered into a contract with the Hilltop Lakes Volunteer Fire Department (HLVFD), an unrelated organization to provide fire protection and emergency medical services to the residents and commercial interests within the boundaries of the geographic district. The District's current contract provides approximately 33% of HLVFD's annual budget. The remaining 67% is comprised mainly of donations, security and EMS fees the HLVFD charges for security and ambulance services. The contract amount due to HLVFD is determined annually, based upon discussions between the District and HLVFD.

On July 15, 2020, the District entered into a contract with the City of Garland, Texas (the City). The City has acknowledged the importance of real property ad valorem tax revenues and the provision of public health and safety services to persons and property within the District. The agreement states that while the City is otherwise exempt from paying ad valorem taxes, they will make voluntary payments in lieu of taxes based upon the amount that would have been paid had the City not otherwise have been exempt. Payments will be remitted to the District annually no later than January 31. This contract will terminate immediately should a) there be a change in Texas law which removes the tax-exempt status b) any change in Texas Utilities Code 35.009 or any other applicable state or federal statute that negatively impacts the City's ability to recover through the utility's wholesale transmission rate, or c) the City is not permitted to recover payments in lieu of ad valorem tax payments by the Public Utility Commission of Texas or any other regulatory agency. During the fiscal year ended the City remitted \$10,247 to the District.

#### **NOTE (6) RISK MANAGEMENT**

The District is exposed to various risks of loss from torts; business interruption; errors and omissions; natural disasters and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. As of September 30, 2021, there were no known claims.

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021  
(Continued)

NOTE (7) FUNCTIONAL EXPENSES

Expenses related to providing services are categorized as follows:

|                        |                   |
|------------------------|-------------------|
| Emergency Services     | \$ 205 000        |
| Management and General | <u>32 226</u>     |
| Total Expenses         | <u>\$ 237 226</u> |

NOTE (8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2021 (the date the financial statements were available to be issued) and noted no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHWEST LEON COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

|  | Actual            | Original and<br>Final<br>Budget * | Variance<br>Positive<br>(Negative) |
|--|-------------------|-----------------------------------|------------------------------------|
| Revenues:                              |                   |                                   |                                    |
| Property Taxes                         | \$ 258 813        | \$ 226 569                        | \$ 32 244                          |
| Payments in Lieu of Taxes              | 12 438            | -                                 | 12 438                             |
| Penalty and Interest on Property Taxes | 3 642             | 2 708                             | 934                                |
| Interest Earned on Investments         | 1 690             | 1 737                             | ( 47)                              |
| Other Income                           | 162               | 10 657                            | ( 10 495)                          |
| Total Revenues                         | <u>276 745</u>    | <u>241 671</u>                    | <u>35 074</u>                      |
| Expenditures/Expenses:                 |                   |                                   |                                    |
| Advertising                            | -                 | 200                               | 200                                |
| Appraisal District Fees                | 6 132             | 5 987                             | ( 145)                             |
| Bank Charges                           | 15                | 50                                | 35                                 |
| Collection Fees                        | 2 527             | 3 370                             | 843                                |
| Contributions                          | 10 000            | -                                 | ( 10 000)                          |
| Contracted Emergency Services          | 205 000           | 205 000                           | -                                  |
| Dues and Subscriptions                 | 568               | 622                               | 54                                 |
| Insurance                              | 1 796             | 1 900                             | 104                                |
| Miscellaneous Expenses                 | -                 | 250                               | 250                                |
| Office Expenses                        | 144               | 541                               | 397                                |
| Professional Services                  | 11 044            | 11 000                            | ( 44)                              |
| Training                               | -                 | 750                               | 750                                |
| Total Expenditures/Expenses            | <u>237 226</u>    | <u>229 670</u>                    | <u>( 7 556)</u>                    |
| Excess of Revenues over Expenditures   | 39 519            | 12 001                            | 27 518                             |
| Fund Balance                           |                   |                                   |                                    |
| Beginning of the Year                  | 261 382           | 261 382                           | -                                  |
| End of the Year                        | <u>\$ 300 901</u> | <u>\$ 273 383</u>                 | <u>\$ 27 518</u>                   |

See the accompanying Independent Auditors' Report