

TARRANT COUNTY EMERGENCY SERVICES

DISTRICT NO. 1

FINANCIAL REPORT

For the Year Ended September 30, 2020

TARRANT COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Tarrant County Emergency Services District No. 1
Fort Worth, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Tarrant County Emergency Service District No. 1 (the "District"), as of and for the year ended September 30, 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 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 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.

To the Board of Commissioners
Tarrant 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 September 30, 2020, and the respective changes in financial position for the year then ended in conformity 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 on pages 3 through 8 and budgetary comparison information on pages 22 through 23 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.

Whitley Penn LLP

Fort Worth, Texas
March 2, 2021

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the financial report of Tarrant County Emergency Services District No. 1 (the "District"), the District's Board of Commissioners provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2020. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

The annual report consists of the Management's Discussion and Analysis, the basic financial statements, and required supplementary information, consisting of the Budgetary Comparison Schedule – General Fund. Additionally, the annual report includes other supplementary information consisting of the Comparative Schedule of Revenues and Expenditures - General Fund. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program.

Financial Highlights

- The assets of the District exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,654,984 (net position). Of this amount, \$1,633,611 was investment in capital assets, which represents the carrying value of the capital assets. The remaining amount of \$5,021,373 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$431,808 for the fiscal year 2020.
- The District's governmental fund reported an ending fund balance of \$4,931,314 and is classified as unassigned in the general fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements, as presented in the special-purpose government format, combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of those statements, and the government-wide financial statements are presented to the right side of the adjustments column. Details of this adjustment column are shown in Note 2 of the financial statements. The notes to the financial statements comprise the final part of the basic financial statements, providing all required disclosure to support the statements presented.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference of the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes).

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements established by external parties, governmental statutes or regulations. All of the District's funds are 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 fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District'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 has one governmental fund, the general fund, which is considered a major fund.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$6,654,984 at the close of the most recent fiscal year.

A portion of the District's net position (24.5 percent) reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

The District's net position increased by \$431,808 during the current fiscal year. This increase represents the degree to which ongoing revenues were more than ongoing expenses. Revenues increased 7.4 percent due to an increase of \$462,752 increase property tax revenue, which was offset by a decrease in interest income of (\$79,234). Operating expenses increased 2.5 percent for the fiscal year 2020 primarily due to increased payments on fire service contracts, ambulance service contracts, and aid to departments.

The District's overall financial position and operations for the past two years is summarized in the statement of net position as follows, based on information included in the financial statements:

	<u>2020</u>	<u>2019</u>
Current and other assets	5,973,485	5,124,648
Capital assets	1,633,611	1,975,955
Total assets	<u>\$ 7,607,096</u>	<u>\$ 7,100,603</u>
Current and other liabilities	952,112	877,427
Total liabilities	<u>952,112</u>	<u>877,427</u>
Net Position:		
Investment in capital assets	1,633,611	1,975,955
Unrestricted	5,021,373	4,247,221
Total net position	<u>\$ 6,654,984</u>	<u>\$ 6,223,176</u>

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

The District's statement of activities for the past two years is summarized as follows, based on information included in the government-wide financial statements:

	<u>2020</u>	<u>2019</u>
General revenues		
Property tax	\$ 5,502,824	\$ 5,040,072
Interest income	56,995	136,229
Total general revenues	<u>5,559,819</u>	<u>5,176,301</u>
Expenses		
Fire services	1,737,440	1,592,800
Ambulance services	1,700,000	1,600,000
Alarm center	397,510	389,720
Aid to departments	340,000	320,000
Contract personnel	88,081	84,971
Insurance premiums	21,594	22,890
Maintenance	74,938	120,675
Grants	375,819	456,150
Other	50,285	45,493
Depreciation	342,344	369,839
Total expenses	<u>5,128,011</u>	<u>5,002,538</u>
Change in net position	431,808	173,763
Net Position - beginning	<u>6,223,176</u>	<u>6,049,413</u>
Net Position - ending	<u><u>\$ 6,654,984</u></u>	<u><u>\$ 6,223,176</u></u>

Financial Analysis of the District's Funds

As noted earlier, the District's general fund is a governmental fund. The focus of the District's governmental fund 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the general fund was \$4,931,314, an increase of \$762,244 in comparison with the prior year. This amount represents unassigned fund balance, which is available for spending at the District's discretion. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 103 percent of expenditures.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund are summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	\$ 5,537,007	\$ 5,546,000
Total expenditures	5,203,340	4,861,959
Net change in fund balance	<u>\$ 333,667</u>	<u>\$ 684,041</u>

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2020, includes land and easements, buildings, machinery and equipment, and vehicles. The following table summarizes the investment in capital assets as of the current and prior fiscal years.

	2020	2019
Vehicles	\$ 3,843,060	\$ 3,843,060
Equipment	936,658	936,658
	4,779,718	4,779,718
Less: Accumulated depreciation	<u>(3,146,107)</u>	<u>(2,803,763)</u>
Net capital assets	<u>\$ 1,633,611</u>	<u>\$ 1,975,955</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Debt

As of September 30, 2020, the District did not have long-term debt outstanding.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

The national economic condition has shown improvement. The Tarrant County Emergency Services District No. 1's economic condition remains steady with an overall tax revenue increase. Mineral values have stabilized while other appraised property value categories continue to grow. The District lowered the property tax rate to \$0.0819 per \$100 of assessed valuation.

- COVID-19 was declared a global pandemic during fiscal year 2020. The pandemic severely impacted the nation, state and region. Unemployment escalated swiftly with unknown long-term impacts to all sectors of the economy. The September 2020 Fort Worth-Arlington unemployment rate was 8.2% compared to 3.1% in September 2019. The state average unemployment rate increased in September 2020 to 8.3% from 3.3% in September 2019. These rates compare to the September national rate of 8.2% for 2020 and 3.5% for 2019.
- For fiscal year 2020, the countywide property tax rolls increased in Tarrant County due to economic conditions. Over the past several fiscal years, the District has benefited from robust mineral property values. As those values decline, other property value categories have grown to help offset the impact. While the District tax rate remained the same for fiscal year 2019, the rate decreased for fiscal year 2020. For fiscal year 2021, the District decline of mineral values and strong growth in other property value categories causing an increase in the certified tax roll when compared to the previous year's certified tax roll. The District maintained the same property tax rate of \$0.0819 for fiscal year 2021.
- While the Inflationary trends within the region have consistently compared favorable to national indices, the impact of COVID-19 is uncertain. The District is positioned to respond without impacting fire or emergency medical services in the unincorporated areas of Tarrant County.

All of these factors were considered in preparing the District's budget for the 2021 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Tarrant County Emergency Services District No. 1's finances for all those with an interest the District's finances. Questions concerning any of the information provided should be addressed to the Tarrant County Emergency Services District No. 1, 2750 Premier Street, Fort Worth, Texas 76111.

BASIC FINANCIAL STATEMENTS

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TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
September 30, 2020

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and cash equivalents	\$ 5,883,426	\$ -	\$ 5,883,426
Taxes receivable, net	90,059	-	90,059
Capital assets, net of accumulated depreciation	-	1,633,611	1,633,611
Total assets	<u>5,973,485</u>	<u>1,633,611</u>	<u>7,607,096</u>
Liabilities			
Accounts payable	952,112	-	952,112
Total liabilities	<u>952,112</u>	<u>-</u>	<u>952,112</u>
Deferred Inflows of Resources			
Deferred inflows - property taxes	90,059	(90,059)	-
Total Deferred Inflows of Resources	<u>90,059</u>	<u>(90,059)</u>	<u>-</u>
Fund Balance/Net Position			
Fund Balance:			
Unassigned	4,931,314		
Total fund balance	<u>\$ 4,931,314</u>		
Net Position:			
Investment in capital assets			1,633,611
Unrestricted			5,021,373
Total net position			<u>\$ 6,654,984</u>

See notes to the financial statements.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

For the Year Ended September 30, 2020

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
General Revenues			
Property tax revenue, net	\$ 5,490,916	\$ 11,908	\$ 5,502,824
Interest income	56,995	-	56,995
Total general revenues	<u>5,547,911</u>	<u>11,908</u>	<u>5,559,819</u>
Expenditures/Expenses			
Fire services	1,737,440	-	1,737,440
Ambulance services	1,700,000	-	1,700,000
Alarm center	397,510	-	397,510
Aid to departments	340,000	-	340,000
Contract personnel	88,081	-	88,081
Insurance premiums	21,594	-	21,594
Maintenance	74,938	-	74,938
Grants	375,819	-	375,819
Other	50,285	-	50,285
Depreciation	-	342,344	342,344
Total expenditures/expenses	<u>4,785,667</u>	<u>342,344</u>	<u>5,128,011</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>762,244</u>	<u>(330,436)</u>	<u>431,808</u>
Fund Balance / Net Position:			
Beginning of year	<u>4,169,070</u>		<u>6,223,176</u>
End of year	<u>\$ 4,931,314</u>		<u>\$ 6,654,984</u>

See notes to the financial statements.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The accounting and reporting policies of Tarrant County Emergency Services District No. 1 (the District) relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below:

Reporting Entity

The District is a special purpose district provided for in the Texas Health and Safety Code, Chapter 775. On August 10, 1996, the voters of the unincorporated areas of Tarrant County voted to convert the Tarrant County Rural Fire Prevention District No. 1 to the Tarrant County Emergency Services District No. 1. The District began its work on September 11, 1996. The District is responsible for fire and emergency medical services in all the unincorporated areas of Tarrant County (the County).

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. Accordingly, the District has no component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing a final column for reconciling items between the two. All funds are considered major funds under financial reporting guidelines. Fund financial statements display information at the individual fund level. A fund is considered to be a separate accounting entity. The District reports one individual fund, the General Fund, which is used to account for the operations of the District and all other financial transactions.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of when the related cash flow takes place. Revenue from property taxes is recognized in the fiscal year in which the taxes are levied.

Governmental fund financial statements are organized on the basis of funds, each of which is considered to be a separate accounting entity. They use the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property tax revenues are generally recognized in the period in which they were collected. Property taxes receivable at the end of the fiscal year are treated as unavailable revenues because they are not considered available to pay liabilities of the current period. The District levies taxes for operating purposes only. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Cash and Cash Equivalents

Cash and cash equivalents of the District are short term investments with original maturities of three months or less from the date of acquisition.

All investments of the District are recorded at amortized cost. All investments of the District are made pursuant to the Texas Public Funds Investment Act and investment policy established and approved by the Board of the District.

Capital Assets

Capital assets, which include vehicles and equipment, are reported in the statements of net position at cost. The costs of normal maintenance and repairs are charged to operations when incurred. Betterments and improvements that add value to the asset, change capacity, or materially extend asset lives are capitalized.

<u>Assets</u>	<u>In Years</u>
Vehicles	7 years
Equipment	10 years

Net Position

Net position represents the differences between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through external grantors, laws, or regulations of other governments. As of September 30, 2020, the District did not have any borrowings, used for the acquisition, construction, or improvement of assets.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 54, effective June 30, 2011, fund balance classifications are recorded as follows:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid items, if applicable, are properly classified in the Governmental Funds Balance Sheet.

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Commissioners). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of 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 District or by an official or body to which the Commissioners delegate the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly, the unassigned fund balance. All of the District's fund balance is unassigned as of September 30, 2020.

Property Taxes

Property subject to taxation is real property and certain personal property situated in the unincorporated areas of Tarrant County, Texas. Certain properties of religious, educational and charitable organizations are exempt from taxation. In addition, other special exemptions are allowed by the District.

The District's ad valorem taxes are levied and become a legal enforceable claim on October 1 on 100% of assessed valuation at a rate of \$0.0819 per \$100 valuation as of the preceding January 1. These taxes are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes paid after February 1 of each year are subject to interest and penalty charges.

Collections of the current year's levy are reported as current collections if received by June 30 (within nine months of the October 1 due date). Collections received thereafter are reported as delinquent collections.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District does not have any items that qualifies for reporting in this category.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has one item that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 2 - Adjustment from Governmental to Government-Wide Basis

<u>Reconciliation of the Government Fund Balance Sheet to the Statement of Net Position</u>	
Total fund balance, governmental fund	\$ 4,931,314
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental financial statements.	4,779,718
Accumulated depreciation is not reported in the governmental financial statements.	(3,146,107)
Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	90,059
Total net position - governmental activities	<u><u>\$ 6,654,984</u></u>

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Adjustment from Governmental to Government-Wide Basis (continued)

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of
the Governmental Funds to the Statement of Activities**

Net change in fund balance - total governmental fund	\$ 762,244
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Depreciation expense taken to Statement of Activities.	(342,344)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>11,908</u>

Note 3 - Cash and Cash Equivalents

As of September 30, 2020, cash and cash equivalents consisted of the following:

Cash and cash equivalents

Checking accounts	\$ 7,918
Investments	<u>5,875,508</u>
Total cash and cash equivalents	<u><u>\$ 5,883,426</u></u>

Cash Deposits

The District maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The District has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash, and balances at September 30, 2020 were fully covered by FDIC Insurance.

Temporary Investments

Included in cash and cash equivalents at September 30, 2020 were \$5,875,508, invested in TexPool, a pool managed by the Treasurer of the State of Texas. As of September 30, 2020, TexPool was rated AAAm and is an approved investment type under the Texas Public Funds Investment Act. The fair value of the District's position in the pool is substantially the same as the value of the pool's shares. In fiscal year 2020, the District invested in the State of Texas' TexPool. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Cash Equivalents (continued)

Temporary Investments (continued)

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

Interest Rate Risk

The District manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. The District manages its investments in accordance with its investment policy, which requires a weighted average maturity of three years or less. The weighted average maturity of TexPool investments at September 30, 2020 was 38 days.

Credit Risk

The District's policy is to limit its investments to U.S. Government securities issued by U.S. Government sponsored entities and otherwise follow the restrictions of the Texas Public Funds Investment Act. Texpool consists of U.S. Treasury Bills and Notes, U.S. Government agency notes, collateralized certificates of deposit, repurchase agreements and mutual funds.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. At year end, other than external investment pools, the District did not have 5% or more of its investments with one issuer.

Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. On September 30, 2020, the District's bank balances were fully insured under FDIC insurance. The District invests money in the Texpool investment pool. The Texpool investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool.

Investments reported at amortized cost are exempt from reporting within the fair value hierarchy.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Cash Equivalents (continued)

Temporary Investments (continued)

Credit Risk (continued)

Texpool falls under the purview of the Texas Comptroller of Public Accounts (Comptroller) who is responsible for oversight of TexPool operations. Federated Investors is responsible for managing pool assets and day-to-day operations. The Comptroller exercises oversight of the pool's activities via daily, weekly, and monthly reporting requirements. Additionally, per the requirements of the Public Funds Investment Act (PFIA), all pools will maintain an AAA or equivalent rating from at least one nationally recognized rating agency. The PFIA also requires an annual examination of the financial statements of the pools by an independent certified public accounting firm. In connection with the financial audit, a compliance audit of management controls on investments and adherence to the investment policy is also required.

Concentration of Credit Risk

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments and maturity in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, TexPool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

Note 4 - Taxes Receivables and Allowance for Doubtful Accounts

At September 30, 2020, the District had outstanding tax receivable balances of \$237,514. The District believes as of September 30, 2020 that balances of \$147,455 are uncollectible and, therefore has created an allowance for these amounts. This allowance is computed based on an analysis of historical losses, existing economic conditions, and other pertinent factors. Accounts are written off as they are deemed uncollectible based on periodic review of accounts.

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2020 is as follows:

	Balance as of October 1, 2019	Additions	(Retirements)	Balance as of September 30, 2020
Vehicles	\$ 3,843,060	\$ -	\$ -	\$ 3,843,060
Equipment	936,658	-	-	936,658
Total capital assets	4,779,718	-	-	4,779,718
Accumulated depreciation	(2,803,763)	(342,344)	-	(3,146,107)
Capital assets, net	<u>\$ 1,975,955</u>	<u>\$ (342,344)</u>	<u>\$ -</u>	<u>\$ 1,633,611</u>

Depreciation expense amounted to \$342,344 in the current fiscal year.

Note 6 - Risk and Contingencies

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. Efforts implemented by local and national governments, as well as businesses, including temporary closures, are expected to have adverse impacts on local, national, and global economies. Although the disruption is currently expected to be temporary, there is uncertainty around the duration and the related economic impact. Therefore, while management expects this matter to have an impact on the Organization's activities, the continuing impact to the results of operations and financial position cannot be reasonably estimated at this time.

Note 7 - Reclassifications

Certain accounts in the prior year financial statements have been classified for comparative purposes to conform to the presentation in the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Adopted	Amended		
Revenues				
Property tax revenue, net	\$ 5,401,007	\$ 5,490,000	\$ 5,490,916	\$ 916
Interest income	136,000	56,000	56,995	995
Total operating revenues	<u>5,537,007</u>	<u>5,546,000</u>	<u>5,547,911</u>	<u>1,911</u>
Expenditures				
Fire services	1,745,440	1,745,440	1,737,440	8,000
Ambulance services	1,700,000	1,700,000	1,700,000	-
Alarm center	397,510	397,510	397,510	-
Aid to departments	340,000	340,000	340,000	-
Contract personnel	91,000	91,000	88,081	2,919
Insurance premiums	22,750	21,700	21,594	106
Maintenance	140,000	135,000	74,938	60,062
Grants	712,500	375,819	375,819	-
Other	54,140	55,490	50,285	5,205
Total expenditures	<u>5,203,340</u>	<u>4,861,959</u>	<u>4,785,667</u>	<u>76,292</u>
Excess of revenues over expenses	<u>333,667</u>	<u>684,041</u>	<u>762,244</u>	<u>78,203</u>
Fund balance - beginning of year	<u>4,169,070</u>	<u>4,169,070</u>	<u>4,169,070</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,502,737</u>	<u>\$ 4,853,111</u>	<u>\$ 4,931,314</u>	<u>\$ 78,203</u>

TARRANT COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

The District has complied with all material budget requirements for the year ended September 30, 2020. An annual budget is adopted by the District's Board of Commissioners, using the same basis of accounting as for financial reporting.

Amounts reported in the accompanying financial statements represent the adopted budgeted amount plus all supplemental appropriations.

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