

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Duval County Emergency Services District #1

Duval County Emergency Services District #1
Annual Financial Report
For The Year Ended September 30, 2024

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Duval County Emergency Services District #1

Financial Section

Duval County Emergency Services District #1

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P.O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

Independent Auditor's Report

To the Board of Trustees
Duval County Emergency Services District #1
P.O. Box 388
Freer, Texas 78357

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Duval County Emergency Services District #1 ("the District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Duval County Emergency Services District #1's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Duval County Emergency Services District #1, as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Duval County Emergency Services District #1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Duval County Emergency Services District #1's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

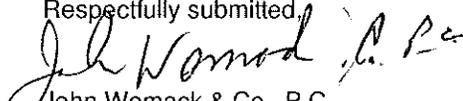
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Respectfully submitted,


John Womack & Co., P.C.

Kingsville, TX

December 29, 2025

**DUVAL COUNTY EMERGENCY SERVICE DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024**

This section of the Duval County Emergency Service District #1's ("the District") annual financial report presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended September 30, 2024.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended in 2024 are as follows:

- The assets of the District exceeded its liabilities by \$3,394,154.
- Total assets were \$3,424,541; total liabilities were \$30,387.
- The ratio of total assets to total liabilities for the District was 112.69.
- The District's quick ratio (current assets to current liabilities) was 77.97.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Government-wide financial statements

The basic financial statements include two kinds of statements that present different views of the District. The first two statements are *government-wide financial statements* that provide a broad overview of the District's overall financial status, in a manner similar to a private-sector enterprise. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Overview of the basic financial statements

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, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include fire protection and emergency response services.

Fund financial statements

The remaining basic financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in more detail than the government-wide 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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. There are three categories of funds that are typically used by state and local governments: governmental funds, proprietary funds, and fiduciary funds. The District's utilizes only governmental funds in reporting the operations of the District. 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 uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The District maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is a major fund. The basic governmental fund financial statements can be found on pages 9-14 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15-23 of this report.

Other information

The District adopts an annual appropriated budget only for its General Fund. A budgetary comparison schedule has been provided as a required supplementary schedule for the General Fund. In addition, a detailed revised budget to actual comparison schedule has also been provided for the General Fund. This schedule begins on page 24 of this report.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,394,154 at the close of the most recent fiscal year ended in 2024. Table 1 provides a summary of the District's net position for the year ended in 2024.

**Table 1
Net Position**

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2024</u>	<u>2023</u>	
Assets			
Current and Other Assets	\$ 2,369,391	\$ 2,887,977	-17.96%
Capital Assets	1,055,150	835,117	26.35%
Total Assets	<u>3,424,541</u>	<u>3,723,094</u>	-8.02%
Liabilities			
Current Liabilities	30,387	60,203	-49.53%
Long-term Liabilities	-	374,053	-100.00%
Total Liabilities	<u>30,387</u>	<u>434,256</u>	-93.00%
Net Position			
Invested in Capital Assets, Net of related debt	1,055,150	426,935	147.15%
Unrestricted	<u>2,339,004</u>	<u>2,861,903</u>	-18.27%
Total Net Position	<u>\$ 3,394,154</u>	<u>\$ 3,288,838</u>	3.20%

The District's government-wide net position (Table 1) increased by \$105,316, or 3.2% in 2024 over 2023.

The decrease in total assets is due to a decrease in cash and cash equivalents of \$538,462, which more than offset an increase of \$27,690 in ambulance receivables.

Table 2 on the next page shows the changes in net position for fiscal year 2024.

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Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2024</u>	<u>2023</u>	
Revenues			
Revenues:			
Program Revenues:			
Charges for Services	\$ 228,689	\$ 118,049	93.72%
Operating Grants	11,833	11,637	100.00%
General Revenues:			
Property Taxes	341,253	332,974	2.49%
Sales Taxes	157,256	183,546	-14.32%
Investment Income	104,652	66,549	57.26%
Miscellaneous Income	-	3,178	100.00%
Total Revenue	<u>843,683</u>	<u>715,933</u>	17.84%
Program Expense			
Fire Department	733,458	707,026	3.74%
Interest on Long-Term Debt	4,909	16,407	-70.08%
Total Program Expense	<u>738,367</u>	<u>723,433</u>	2.06%
Increase in Net Position	105,316	(7,500)	-1504.21%
Net Position, Beginning of Year	<u>3,288,838</u>	<u>3,296,338</u>	-0.23%
Net Positions, End of Year	\$ <u>3,394,154</u>	\$ <u>3,288,838</u>	3.20%

Governmental Activities

Governmental activities increased the District's net position from 2023 to 2024 by \$105,316. Program expenses increased by \$14,934 from the prior year, primarily due to a \$26,432 increase in fire department expenses, which more than offset a decrease in interest on long-term debt. Total revenue experienced a \$127,750 increase, largely due to an increase of \$110,640 in charges for services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

General Fund expenditures exceeded revenues by \$534,565, due to an increase in public safety expenditures and principal retired expenditures. Expenditures increased primarily due to these two line items being a combined \$651,085 more than the prior year.

General Fund Budgetary Highlights

General Fund total expenditures were \$6,023 lower than final budget expenditures, due to lower public safety expenditures than budgeted; total revenues were \$7,974 higher than final budget amounts, primarily due to higher ambulance income than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2024, the District had \$1,480,135 invested in capital assets, before accumulated depreciation of \$424,985.

Table 3
Capital Assets

	Governmental Activities		Percent Change
	2024	2023	
Land	\$ 10,000	\$ 10,000	0.00%
Construction in progress	-	-	0.00%
Buildings	873,485	873,485	0.00%
Vehicles & equipment	596,650	334,778	78.22%
Less: Accumulated Depreciation	<u>(424,985)</u>	<u>(383,146)</u>	-10.92%
Total	<u>\$ 1,055,150</u>	<u>\$ 835,117</u>	<u>26.35%</u>

Long-term Debt and Debt Administration

Table 4 indicates that total long-term debt decreased by \$408,182 from 2023 to 2024 due to the paying off of the remaining promissory note principal. Total debt outstanding at year ends 2024 and 2023 was \$0 and \$408,182 respectively.

\$408,182 in principal was paid against the District's Bank promissory notes during the current year ended 2024.

Table 4
District's Long-Term Obligations

	Governmental Activities		Total % Change
	2024	2023	
Bank promissory notes	\$ <u>-</u>	\$ <u>408,182</u>	<u>-100.00%</u>
Total long-term obligations	<u>\$ -</u>	<u>\$ 408,182</u>	<u>-100.00%</u>

ECONOMIC FACTORS

The District is located in Duval County and has a sparse population. Additionally, the District remained stable in sales tax revenue for the current year, while property tax revenue increased, but continues to experience increased demand for services from its citizens.

FISCAL YEAR 2024-2025 ADOPTED OPERATING BUDGET

The 2024 tax year property appraisal valuations used for the fiscal year 2025 budget preparation were 6.1% less than the 2023 tax year. The District will retain the current tax rate of \$0.081989 per \$100 of valuation. The District anticipates \$343,592 in property tax revenue, an increase of \$11,496 above the actual property tax revenues for fiscal year 2024, or 3.5%. The District's sales tax revenue (1/2 cent tax rate) in the 2025 budget is projected to be \$120,000 which is \$37,256 below the actual sales tax revenue earned in the fiscal year 2024. Ambulance revenue for 2025 is budgeted at \$150,000, which is \$78,689 lower than the \$228,689 of actual revenue for 2024.

Expenditures for 2025 were budgeted at \$687,723, or \$299,172 below the original 2024 budget. This increase is primarily due to a decrease in debt service building payment expenses for the ensuing fiscal year 2025.

If the entire District's revenue of \$698,592, and expenditures of \$687,723 are realized, the 2024-2025 net position would decrease by \$10,869.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Duval County Emergency Services District #1
P.O. Box 388
Freer, Texas 78357

Basic Financial Statements

Duval County Emergency Services District #1

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

STATEMENT OF NET POSITION
 SEPTEMBER 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,213,307
Receivables (net of allowances for uncollectibles):	
Property Taxes	74,339
Ambulance	55,238
Due from Other Governments	25,695
Prepaid Expenditures	812
Capital Assets:	
Land	10,000
Vehicles and Equipment	596,650
Buildings	873,485
Accumulated Depreciation	<u>(424,985)</u>
Total Assets and Other Debits	<u>3,424,541</u>
LIABILITIES AND EQUITY	
Current Liabilities:	
Accounts payable	28,098
Due to other governments	<u>2,289</u>
Total Liabilities	<u>30,387</u>
NET POSITION:	
Net Investment in Capital Assets	1,055,150
Unrestricted	<u>2,339,004</u>
Total Net Position	<u>\$ 3,394,154</u>

The accompanying notes are an integral part of this statement.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Public Safety	\$ 733,458	\$ 228,689	\$ 11,833	\$ (492,936)
Interest on Long-term Debt	4,909	--	--	(4,909)
Total government activities	<u>738,367</u>	<u>228,689</u>	<u>11,833</u>	<u>(497,845)</u>
Total Primary Government	<u>\$ 738,367</u>	<u>\$ 228,689</u>	<u>\$ 11,833</u>	<u>(497,845)</u>
General Revenues:				
Property Taxes				341,253
State Sales Tax				157,256
Unrestricted Investment Earnings				104,652
Transfers				--
Total General Revenues and Transfers				<u>603,161</u>
Change in Net Assets				105,316
Net Assets - Beginning				3,288,838
Net Assets - Ending				<u>\$ 3,394,154</u>

The accompanying notes are an integral part of this statement.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,213,307
Receivables (net of allowances for uncollectibles):	
Property Taxes	74,339
Ambulance	55,238
Due from Other Governments	25,695
Prepaid Expenditures	812
Total Assets	<u>\$ 2,369,391</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY	
Liabilities:	
Accounts payable	\$ 28,098
Due to other governments	2,289
Total Liabilities	<u>30,387</u>
Deferred Inflows of Resources:	
Deferred revenue	74,340
Total Deferred Inflows of Resources	<u>74,340</u>
Equity:	
Fund balances:	
Unassigned	2,264,664
Total equity	<u>2,264,664</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 2,369,391</u>

The accompanying notes are an integral part of this statement.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024*

Total fund balances - governmental funds balance sheet	\$ 2,264,664
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,055,150
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>74,340</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 3,394,154</u>

The accompanying notes are an integral part of this statement.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund
Revenue:	
Ad valorem taxes	\$ 332,096
Penalties and interest	7,403
State sales tax	157,256
Interest income	104,652
Ambulance Income	228,689
Grant revenue	11,833
Total revenues	<u>841,929</u>
Expenditures:	
Current:	
Public Safety	953,490
Debt Service	
Principal retired	408,182
Interest	14,822
Total expenditures	<u>1,376,494</u>
Excess (deficiency) of revenues (under) expenditures	(534,565)
Fund balances/equity, October 1	<u>2,799,229</u>
Fund balances/equity, September 30	<u>\$ 2,264,664</u>

The accompanying notes are an integral part of this statement.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2024*

Net change in fund balances - total governmental funds	\$ (534,565)
<p>Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:</p>	
Capital outlays are not reported as expenses in the SOA.	261,871
The depreciation of capital assets used in governmental activities is not reported in the funds.	(41,839)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,753
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	408,182
(Increase) decrease in accrued interest from beginning of period to end of period.	<u>9,914</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 105,316</u>

The accompanying notes are an integral part of this statement.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

A. Summary of Significant Accounting Policies

The combined financial statements of Duval County Emergency Services District #1 (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using 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 flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end, with the exception of property taxes, which are fully deferred. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The tax rate in effect during the year ended September 30, 2024 (2023 taxes) was \$.081989 per hundred dollars valuation, and was designated for maintenance.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	3-15
Furniture and Equipment	5-10
Computer Equipment	3-15
Right-to-use Lease Assets	5
Right-to-use Subscription Assets	5

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary.

The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors ; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal 2024.

d. Receivable and Payable Balances

See Footnote D in which disclosure is provided which disaggregates the receivables balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Delinquent Taxes Receivable

The following table shows a schedule of delinquent taxes receivable and the allowance for uncollectible taxes for the District:

	<u>Balance 10/01/23</u>	<u>Current Year Levy</u>	<u>Total Collections</u>	<u>Yearly Adjustments</u>	<u>Balance 09/30/24</u>
Delinquent Taxes Receivable	\$ 152,408	\$ 345,641	\$ 332,098	\$ (11,791)	154,160
Allowance for Uncollectible Taxes	(79,821)			--	(79,821)
Net Delinquent Taxes Receivable	\$ 72,587	\$ 345,641	\$ 332,098	\$ (11,791)	74,339

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

f. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

6. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

New pronouncements not yet in effect as of September 30, 2024, could have a significant impact on the District's financial position, results of operations, or cash flows. The District is currently studying these new pronouncements and will adopt them, as applicable, in subsequent fiscal years.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Undersecured Deposits	Consider reallocation of funds at various banks
Noncompliance with Public Funds Investment Act	An Investment Policy was adopted by the Board during the subsequent fiscal year.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2024, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,213,308 and the bank balance was \$2,426,501. The District's cash deposits at September 30, 2024 and during the year ended September 30, 2024, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

However, the District also held certificates of deposit at banks other than their depository bank, one of which held deposits in excess of the FDIC insurance, and therefore were unsecured in the amount of \$3,346.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District did not adhere to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District had no investments at September 30, 2024.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. **Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. **Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. **Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. **Foreign Currency Risk**

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

D. Accounts Receivable

	<u>General</u>
Taxes - Property	\$ 154,160
Allowance for Uncolletible Property Taxes	(79,821)
Ambulance Receivable	325,725
Allowance for Uncollectible Ambulance Accounts	(270,487)
Due from Other Governments	<u>25,695</u>
Net total receivable	<u>\$ 155,272</u>

E. Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 10,000	\$ --	\$ --	\$ 10,000
Total capital assets not being depreciated	<u>10,000</u>	<u>--</u>	<u>--</u>	<u>10,000</u>
<i>Capital assets being depreciated:</i>				
Building	873,485	--	--	873,485
Vehicles & Equipment	334,778	261,872	--	596,650
Total capital assets being depreciated	<u>1,208,263</u>	<u>261,872</u>	<u>--</u>	<u>1,470,135</u>
Less accumulated depreciation for:				
Buildings				
Buildings and improvements	(221,113)	(20,762)	--	(241,875)
Vehicles & Equipment	(162,033)	(21,077)	--	(183,110)
Total accumulated depreciation	<u>(383,146)</u>	<u>(41,839)</u>	<u>--</u>	<u>(424,985)</u>
Total capital assets being depreciated, net	<u>825,117</u>	<u>220,033</u>	<u>--</u>	<u>1,045,150</u>
Governmental activities capital assets, net	<u>\$ 835,117</u>	<u>\$ 220,033</u>	<u>\$ --</u>	<u>\$ 1,055,150</u>

Depreciation was charged to functions as follows:

Public Safety	\$ 41,839
	<u>\$ 41,839</u>

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<i>Governmental activities:</i>					
Promissory Notes	\$ 408,182	\$ --	\$ 408,182	\$ --	\$ --
Total governmental activities	<u>\$ 408,182</u>	<u>\$ --</u>	<u>\$ 408,182</u>	<u>\$ --</u>	<u>\$ --</u>

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Promissory Notes consist of the following:

	<u>2024</u>	<u>2023</u>
\$700,000 Promissory Note to bank for construction of new firehouse, payable in annual installments of \$50,117 including interest at 3.583%, maturing 2/15/2033, secured by ad valorem taxes, paid in full in 2024	\$ --	\$ 408,182
	--	408,182
Less: Current Portion of Long Term Debt	--	34,129
Total Long Term Debt	<u>\$ --</u>	<u>\$ 374,053</u>

G. Leases

Lease and SBITA activity for the year ended September 30, 2024 was as follows:

The District had no contracts that qualify as Leases under GASB 87 in the current year.

The District had no contracts that qualify as SBITAs under GASB 96 in the current year.

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

I. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at September 30, 2024.

J. Compensated Absences

At September 30, 2024, the District had no liability for accrued sick or vacation leave.

K. Deferred Resources

Deferred revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Deferred Amount</u>
Deferred Tax Revenue	General	\$ 74,340
Total Deferred Revenue		<u>\$ 74,340</u>

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

L. Concentration of Risk

The District is located within Duval County, Texas, and derives approximately 46% of its revenue from property taxes and related penalties and interest. The District's top ten taxpayers have a taxable property value of \$176,628,470, or 41.9% of the total taxable value of \$421,331,973. All of the top ten taxpayers are oil and gas related. These are as follows:

<u>Taxpayer</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Epic Crude Pipeline LP	\$ 41,354,740	9.8%
Gulf Coast Express	24,133,970	5.7%
Epic Y-Grade Pipeline LP	18,088,710	4.3%
Enterprise Texas Pipeline LP	16,641,370	3.9%
AEP Texas Central Co.	15,787,580	3.7%
Eagle Ford Midstream LP	13,930,720	3.3%
Eagle Ford Gathering	13,359,710	3.2%
Whistler Project LLP	13,248,350	3.1%
Kinder Morgan Texas Pipeline	10,483,320	2.5%
Pumpco Inc.	9,600,000	2.3%
Total Top Ten	<u>\$ 176,628,470</u>	<u>41.9%</u>
Total Taxable Value	<u>\$ 421,331,973</u>	<u>100.0%</u>

M. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through December 29, 2025 (the date of the audit report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

N. Related Party

The District's goal is to provide for fire and ambulance emergency services to the District's population. The District's primary source for providing these services is through the Freer Voluntary Fire Department in Freer (Duval County), Texas. The District spent \$1,376,494 in the 2024 fiscal year either directly or indirectly to support the operations of the Department.

Duval County Emergency Services District #1

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

EXHIBIT B-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
Revenue:							
Ad valorem taxes	\$ 327,479	\$ 339,501	\$ 332,096	\$ (7,405)			
Penalties and interest	--	--	7,403	7,403			
State sales tax	130,000	167,634	157,256	(10,378)			
Interest income	40,000	100,166	104,652	4,486			
Miscellaneous income	1,000	3,272	--	(3,272)			
Ambulance Income	150,000	211,549	228,689	17,140			
Grant revenue	10,000	11,833	11,833	--			
Total revenues	<u>658,479</u>	<u>833,955</u>	<u>841,929</u>	<u>7,974</u>			
Expenditures:							
Current:							
Public Safety	609,109	959,513	953,490	6,023			
Debt Service							
Principal retired	377,786	408,182	408,182	--			
Interest	--	14,822	14,822	--			
Total expenditures	<u>986,895</u>	<u>1,382,517</u>	<u>1,376,494</u>	<u>6,023</u>			
Excess (deficiency) of revenues (under) expenditures	(328,416)	(548,562)	(534,565)	13,997			
Fund balances/equity, October 1	<u>2,799,230</u>	<u>2,799,229</u>	<u>2,799,229</u>	--			
Fund balances/equity, September 30	<u>\$ 2,470,814</u>	<u>\$ 2,250,667</u>	<u>\$ 2,264,664</u>	<u>\$ 13,997</u>			

DUVAL COUNTY EMERGENCY SERVICES DISTRICT #1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

The basis of budgeting in the General Fund Budgetary Comparison Schedule is the same as Accounting Principles Generally Accepted in the United States of America (GAAP).