

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

DENTON COUNTY, TEXAS

FINANCIAL REPORT

SEPTEMBER 30, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

DENTON COUNTY, TEXAS

FINANCIAL REPORT

SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Denton County Emergency Services District No. 1 (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, 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 the District, 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

Board of Commissioners
Denton County Emergency Services District No. 1

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information 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.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 15, 2024

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management’s discussion and analysis of Denton County Emergency Services District No. 1’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended September 30, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, costs of assessing and collecting taxes, and general expenditures.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI").

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,155,092 as of September 30, 2023.

A portion of the District's net position reflects its net investment in capital assets (land, buildings, furniture and fixtures, and vehicles less any debt used to acquire those assets that is still outstanding).

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 702,537	\$ 442,493	\$ 260,044
Capital Assets	11,075,074	11,394,415	(319,341)
Total Assets	<u>\$ 11,777,611</u>	<u>\$ 11,836,908</u>	<u>\$ (59,297)</u>
Long-Term Liabilities	\$ 7,287,508	\$ 8,035,152	\$ 747,644
Current and Other Liabilities	1,335,011	942,074	(392,937)
Total Liabilities	<u>\$ 8,622,519</u>	<u>\$ 8,977,226</u>	<u>\$ 354,707</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,974,677	\$ 2,569,340	\$ 405,337
Unrestricted	180,415	290,342	(109,927)
Total Net Position	<u>\$ 3,155,092</u>	<u>\$ 2,859,682</u>	<u>\$ 295,410</u>

The following table provides a summary of the District's operations for the year ended September 30, 2023 and September 30, 2022.

	Summary of the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,806,601	\$ 4,813,862	\$ 992,739
Service Fees	1,601,358	406,503	1,194,855
Contributions from Other Entities	778,150		778,150
Other Revenues	175,844	436,320	(260,476)
Total Revenues	<u>\$ 8,361,953</u>	<u>\$ 5,656,685</u>	<u>\$ 2,705,268</u>
Expenses for Services	8,066,543	6,789,616	(1,276,927)
Change in Net Position	\$ 295,410	\$ (1,132,931)	\$ 1,428,341
Net Position, Beginning of Year	2,859,682	3,992,613	(1,132,931)
Net Position, End of Year	<u>\$ 3,155,092</u>	<u>\$ 2,859,682</u>	<u>\$ 295,410</u>

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of September 30, 2023, was \$217,252, a decrease of \$158,577 from the prior year. The decrease was primarily due to debt payments and amounts paid for services exceeding property tax revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current fiscal year. Actual revenues were \$755,834 less than budgeted revenues. Actual expenditures were \$1,010,784 less than budgeted expenditures. This resulted in a positive budget variance of \$254,950. See budget to actual comparison for further information.

CAPITAL ASSETS

Capital assets as of September 30, 2023, total \$11,075,074 (net accumulated depreciation) and include land, buildings, furniture and fixtures and construction in progress. Construction in progress includes Station 513 engine vehicle.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 303,521	\$ 303,521	\$
Construction in Progress	652,032	986,257	(334,225)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	8,198,053	8,418,140	(220,087)
Furniture and Equipment	120,073	370,867	(250,794)
Vehicles	1,801,395	1,315,630	485,765
Total Net Capital Assets	\$ 11,075,074	\$ 11,394,415	\$ (319,341)

Additional information on the District's capital assets can be found in Note 5 of this report.

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had long-term debt for notes payable of \$8,100,397. The changes in notes payable of the District during the fiscal year ended September 30, 2023, are summarized as follows:

Notes Payable, October 1, 2022	\$ 8,825,075
Less: Principal Paid	<u>724,678</u>
Notes Payable, September 30, 2023	<u>\$ 8,100,397</u>

On October 20, 2021, the District entered into a \$324,225 promissory note with Government Capital Corporation to fund the purchase of a 2020 Ram 5500 Diesel ambulance, secured by ad valorem tax funds. Annual installments of \$71,724 are due each October 20, beginning October 20, 2022, and ending October 20, 2026. The interest rate is 2.395%.

On August 22, 2022, the District entered into a \$652,000 promissory note with Government Capital Corporation to fund the purchase of a fire pumper truck, secured by ad valorem tax funds. Annual installments of \$78,397 are due each August 22, beginning August 22, 2023, and ending August 22, 2032. The interest rate is 3.50%.

On November 1, 2021, the District entered into an assumption agreement with Independent Bank to assume the remaining amount due on a promissory note between Argle Volunteer Fire District and Independent Bank. The amount of the note assumed is \$1,000,000. This note was used to fund the construction of Station 513. The note will be secured by ad valorem tax funds. Annual principal amounts of \$125,000 are due each January, beginning January, 2022, and ending January, 2029. Interest amounts are due monthly. The interest rate is 4.50%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Denton County Emergency Services District No. 1, c/o Coveler & Peeler, P.C., 820 Gessner, Suite 1710, Houston, TX 77024.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2023

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 583,369	\$	\$ 583,369
Receivables:			
Property Taxes	76,450		76,450
Prepaid Expenditure	42,718		42,718
Land		303,521	303,521
Construction in Progress		652,032	652,032
Capital Assets (Net of Accumulated Depreciation)		10,119,521	10,119,521
TOTAL ASSETS	\$ 702,537	\$ 11,075,074	\$ 11,777,611
 LIABILITIES			
Accounts Payable	\$ 260,115	\$	\$ 260,115
Accrued Interest Payable		113,287	113,287
Advance for Repairs	148,720		148,720
Note Payable:			
Due Within One Year		812,889	812,889
Due After One Year		7,287,508	7,287,508
TOTAL LIABILITIES	\$ 408,835	\$ 8,213,684	\$ 8,622,519
 DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 76,450	\$ (76,450)	\$ - 0 -
 FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 42,718	\$ (42,718)	\$
Unassigned	174,534	(174,534)	
TOTAL FUND BALANCE	\$ 217,252	\$ (217,252)	\$ - 0 -
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 702,537		
 NET POSITION			
Net Investment in Capital Assets		\$ 2,974,677	\$ 2,974,677
Unrestricted		180,415	180,415
TOTAL NET POSITION		\$ 3,155,092	\$ 3,155,092

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

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Total Fund Balance - Governmental Fund	\$	217,252
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		11,075,074
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Deferred inflows of resources related to property tax revenues for the 2022 and prior tax levies became part of recognized revenues in the governmental activities of the District.		76,450
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (113,287)	
Note Payable Within One Year	(812,889)	
Note Payable After One Year	<u>(7,287,508)</u>	<u>(8,213,684)</u>

Total Net Position - Governmental Activities	\$	<u>3,155,092</u>
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The accompanying notes to the financial statements are an integral part of this report.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 5,796,815	\$ 9,786	\$ 5,806,601
Penalty and Interest	69,224		69,224
Investment Revenues	75,047		75,047
Service Fees	1,601,358		1,601,358
Contributions from Other Entities	778,150		778,150
Miscellaneous Revenues	31,573		31,573
TOTAL REVENUES	\$ 8,352,167	\$ 9,786	\$ 8,361,953
EXPENDITURES/EXPENSES			
Service Operations:			
District Services -			
Argyle VFD	\$ 2,901,420	\$ (230,503)	\$ 2,670,917
Roanoke Fire Department	425,207		425,207
Accounting and Auditing	124,378		124,378
Personnel	3,150,576		3,150,576
Operations	127,871		127,871
Facilities	166,916		166,916
Apparatus & Equipment	57,235		57,235
Training and Safety	10,750		10,750
Contract Services	94,298		94,298
Insurance	108,480		108,480
Legal Fees - General	70,151		70,151
Legal Fees - Delinquent Tax Collections	10,769		10,769
Tax Assessor/Collector Fees	53,580		53,580
Depreciation		596,688	596,688
Fines & Penalties	490		490
Administration and General	6,258		6,258
Other	1,177		1,177
Capital Outlay	126,425	(46,844)	79,581
Debt Service:			
Note Principal	724,678	(724,678)	
Note Interest	350,085	(38,864)	311,221
TOTAL EXPENDITURES/EXPENSES	\$ 8,510,744	\$ (444,201)	\$ 8,066,543
NET CHANGE IN FUND BALANCE	\$ (158,577)	\$ 158,577	
CHANGE IN NET POSITION		295,410	295,410
FUND BALANCE/NET POSITION - OCTOBER 1, 2022	375,829	2,483,853	2,859,682
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2023	\$ 217,252	\$ 2,937,840	\$ 3,155,092

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

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net Change in Fund Balance - Governmental Fund	\$ (158,577)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	9,786
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(596,688)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	277,347
Governmental funds report principal payments on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when principal payments are made and the Statement of Activities is not affected.	724,678
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on long-term debt through the fiscal year-end.	38,864
Change in Net Position - Governmental Activities	<u>\$ 295,410</u>

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

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DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1. CREATION OF DISTRICT

Denton County Emergency Services District No. 1 (the “District”) is a political subdivision of the State of Texas. It was created under Texas Health and Safety Code, Chapter 775. The District was established to provide funds for the contracting of emergency services within the boundaries of the District. The District was created in May 2006 but did not begin operations until October, 2008.

The District is empowered, among other things, to support or provide local emergency services, including emergency medical services, emergency ambulance services, rural fire prevention and control services, and other emergency services as authorized by the Texas Legislature. The District may impose a sales and use tax and/or property tax to support or provide these services. In addition to other powers, the District may also own real or personal property, enter into contracts, adopt and enforce a fire code, and provide a fire marshal.

District tax revenues may be used to hire full-time emergency personnel, contract with other entities that have full-time fire and emergency medical departments, and/or purchase new equipment and facilities. The District can also contract with volunteer fire and emergency medical services departments and provide a stable funding source for those entities as well.

The District's present activities consist primarily of the levy of property taxes to generate funds that are provided under contract to emergency services departments in the areas of Argyle, Roanoke and Justin in Denton County.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund that is considered major fund.

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Capital Assets

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

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets are capitalized if they have an original cost of \$500 or more and a useful life of one year or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Vehicles and Equipment	10
Furniture and Fixtures	5-7

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Commissioners. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

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

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. TAX LEVY

The voters of the District approved a maximum tax rate of \$0.10 per \$100 of assessed valuation assessed valuation of taxable property within the District. During the year ended September 30, 2023, the District levied an ad valorem tax at the rate of \$0.093330 per \$100 of assessed valuation. The tax rate consisted of \$0.069581 for debt service and \$0.023749 for maintenance. This resulted in a tax levy of \$5,792,145 on the adjusted taxable valuation of \$6,352,058,100 for the 2022 tax year.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 3. TAX LEVY (Continued)

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$583,369 and the bank balance was \$683,892. The District was not exposed to custodial credit risk at year-end.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of September 30, 2023, the District did not own any investments.

NOTE 5. CAPITAL ASSETS

	October 1, 2022	Increases	Decreases	September 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 303,521	\$	\$	\$ 303,521
Construction in Progress	986,257		334,225	652,032
Total Capital Assets Not Being Depreciated	<u>\$ 1,289,778</u>	<u>\$ - 0 -</u>	<u>\$ 334,225</u>	<u>\$ 955,553</u>
Capital Assets Subject to Depreciation to Depreciation				
Buildings and Improvements	\$ 10,520,133	\$ 46,844	\$	\$ 10,566,977
Furniture and Equipment	706,687	44,385	288,902	462,170
Vehicles	1,785,006	1,896,889		3,681,895
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ 13,011,826</u>	<u>\$ 1,988,118</u>	<u>\$ 288,902</u>	<u>\$ 14,711,042</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 2,101,993	\$ 266,931	\$	\$ 2,368,924
Furniture and Equipment	335,820	73,895	67,618	342,097
Vehicles	469,376	1,411,124		1,880,500
Total Accumulated Depreciation	<u>\$ 2,907,189</u>	<u>\$ 1,751,950</u>	<u>\$ 67,618</u>	<u>\$ 4,591,521</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,104,637</u>	<u>\$ 236,168</u>	<u>\$ 221,284</u>	<u>\$ 10,119,521</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,394,415</u>	<u>\$ 236,168</u>	<u>\$ 555,509</u>	<u>\$ 11,075,074</u>

During the current fiscal year, the Argyl Volunteer Fire Department transferred \$1,318,147 of assets including accumulated depreciation of \$1,087,644, the net effect increased the Districts assets by \$230,503.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage in the past three years.

NOTE 7. CONTRACTS FOR EMERGENCY SERVICES

In October, 2007, the District entered into agreements with the Argyle Volunteer Fire District, the City of Roanoke and the Justin Volunteer Fire Department for fire and emergency medical services protection. The term of each agreement was one year, with a provision for automatic renewal for additional one year terms. Under the terms of each agreement, the emergency services provider agreed to provide fire services and EMS services to the District. In return, the District agreed to provide funding for such services on a quarterly basis from the tax revenues generated by the District.

During the current fiscal year, the District merged with Argyle Volunteer Fire District and became the direct service provider for fire and emergency medical services.

NOTE 8. NOTES PAYABLE

On June 21, 2012, the District entered into a \$3,500,000 promissory note with Government Capital Corporation to fund the construction of Station 511, secured by ad valorem tax funds. Annual installments of \$260,193 are due each June 1, beginning June 1, 2013, and ending June 1, 2032. The interest rate is 4.135%.

On March 10, 2017, the District entered into a \$4,600,000 promissory note with Government Capital Corporation to fund the construction of Station 514, secured by ad valorem tax funds. Annual installments of \$342,828 are due each May 1, beginning May 1, 2018, and ending May 1, 2037. The interest rate is 4.08%.

On April 11, 2018, the District entered into a \$623,000 promissory note with Government Capital Corporation to fund the purchase of a 2018 Peirce Velocity fire engine, secured by ad valorem tax funds. Annual installments of \$74,877 are due each April 4, beginning April 4, 2019, and ending April 4, 2028. The interest rate is 3.495%.

On April 12, 2019, the District entered into a \$673,000 promissory note with Government Capital Corporation to fund the purchase of a fire apparatus, secured by ad valorem tax funds. Annual installments of \$82,768 are due each April 12, beginning April 12, 2020, and ending April 12, 2029. The interest rate is 3.95%.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 8. NOTES PAYABLE (Continued)

On February 15, 2021, the District entered into a \$300,000 promissory note with Government Capital Corporation to fund the purchase of a 2020 Ram 5500 Diesel ambulance, secured by ad valorem tax funds. Annual installments of \$64,853 are due each February 15, beginning February 15, 2022, and ending February 15, 2026. The interest rate is 2.65%.

On October 20, 2021, the District entered into a \$334,225 promissory note with Government Capital Corporation to fund the purchase of a 2020 Ram 5500 Diesel ambulance, secured by ad valorem tax funds. Annual installments of \$71,724 are due each October 20, beginning October 20, 2022, and ending October 20, 2026. The interest rate is 2.395%.

On August 22, 2022, the District entered into a \$652,000 promissory note with Government Capital Corporation to fund the purchase of a fire pumper truck, secured by ad valorem tax funds. Annual installments of \$78,397 are due each August 22, beginning August 22, 2023, and ending August 22, 2032. The interest rate is 3.50%.

On November 1, 2021, the District entered into an assumption agreement with Independent Bank to assume the remaining amount due on a promissory note between Argle Volunteer Fire District and Independent Bank. The amount of the note assumed is \$1,000,000. This note was used to fund the construction of Station 513. The note will be secured by ad valorem tax funds. Annual principal amounts of \$125,000 are due each January, beginning January, 2022, and ending January, 2029. Interest amounts are due monthly. The interest rate is 4.50%.

The following is a summary of transactions regarding the note payable for the year ended September 30, 2023:

Notes Payable, October 1, 2022	\$ 8,825,075
Less: Principal Paid	<u>724,678</u>
Notes Payable, September 30, 2023	<u>\$ 8,100,397</u>
Notes Payable:	
Due Within One Year	\$ 812,889
Due After One Year	<u>7,287,508</u>
Notes Payable, September 30, 2023	<u>\$ 8,100,397</u>

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 8. NOTES PAYABLE (Continued)

As of September 30, 2023, the debt service requirements on the note payable were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 812,889	\$ 321,504	\$ 1,134,393
2025	838,310	290,458	1,128,768
2026	864,695	258,448	1,123,143
2027	827,227	225,437	1,052,664
2028	782,212	193,103	975,315
2029-2033	2,731,473	550,421	3,281,894
2034-2037	1,243,591	127,721	1,371,312
	\$ 8,100,397	\$ 1,967,092	\$ 10,067,489

NOTE 9. RETIREMENT PLAN

The District began participation in the Texas County & District Retirement System (TCDRS) as of April 1, 2023, and therefore did not have any participating employees as of the TCERS measurement date, December 31, 2022. A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. The District participates in TCERS, which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCERS is a savings-based plan. For the District plan, 7% of each employees pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest per year on beginning of year balances. At retirement, the account is matched at an employer set percentage(s) (current match is 225%) and is then converted to a lifetime annuity.
 - 4) There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of January 1 each year but must remain in conformity with the Act.
- c. As of the measurement date (December 31, 2022), the District had no employees covered in TCERS.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9. RETIREMENT PLAN (Continued)

- d. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by District and are currently 7%. The actuarially determined employer contribution rate for 2023 was 10.93%. Contributions to the pension plan from the District were \$266,993 for the fiscal year ended September 30, 2023.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

NOTE 10. SUBSEQUENT EVENTS

Subsequent to year end, on November 30, 2023, the District closed on a refinancing loan in the amount of \$2,380,000 with PointBank. This loan was used to refinance the promissory note for the construction of Station 513.

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DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE PERIOD ENDED SEPTEMBER 30, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes, Including Penalty and Interest	\$ 5,795,000	\$ 5,866,039	\$ 71,039
Service Fees	2,354,501	1,601,358	(753,143)
Investment Revenues	80,000	75,047	(4,953)
Contributions from Other Entities	786,500	778,150	(8,350)
Miscellaneous Revenues	<u>92,000</u>	<u>31,573</u>	<u>(60,427)</u>
TOTAL REVENUES	<u>\$ 9,108,001</u>	<u>\$ 8,352,167</u>	<u>\$ (755,834)</u>
EXPENDITURES			
Service Operations:			
District Services -			
Argyle VFD	\$ 3,225,000	\$ 2,901,420	\$ 323,580
Roanoke Fire Department	425,200	425,207	(7)
Accounting and Auditing	133,000	124,378	8,622
Personnel	3,225,000	3,150,576	74,424
Operations	408,000	127,871	280,129
Facilities	267,000	166,916	100,084
Apparatus & Equipment	157,500	57,235	100,265
Training and Safety	42,000	10,750	31,250
Contract Services	137,000	94,298	42,702
Insurance		108,480	(108,480)
Legal Fees	81,000	80,920	80
Tax Assessor/Collector Fees	62,500	53,580	8,920
Fines & Penalties	48,582	490	48,092
Administration and General	7,500	6,258	1,242
Other	7,000	1,177	5,823
Capital Outlay	127,000	126,425	575
Debt Service:			
Note Principal & Interest	<u>1,168,246</u>	<u>1,074,763</u>	<u>93,483</u>
TOTAL EXPENDITURES	<u>\$ 9,521,528</u>	<u>\$ 8,510,744</u>	<u>\$ 1,010,784</u>
NET CHANGE IN FUND BALANCE	\$ (413,527)	\$ (158,577)	\$ 254,950
FUND BALANCE - OCTOBER 1, 2022	<u>375,829</u>	<u>375,829</u>	<u></u>
FUND BALANCE - SEPTEMBER 30, 2023	<u><u>\$ (37,698)</u></u>	<u><u>\$ 217,252</u></u>	<u><u>\$ 254,950</u></u>

Note: Budget variances are due in large part to the budget containing annual estimates of revenues and expenditures for the District as a whole, whereas the Actual data reflect transactions of the District which performed all operational functions for only 6 months, beginning on April 1, 2023.

See accompanying independent auditor's report.

