

NAVARRO COUNTY EMERGENCY SERVICES DISTRICT #1

BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2024

(With Independent Auditor's Report Thereon)

NAVARRO COUNTY EMERGENCY SERVICES DISTRICT #1
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Navarro County ESD #1

Opinion

I have audited the accompanying financial statements of the governmental activities of the Navarro County Emergency Services District #1, as of and for the year ended September 30, 2024, 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 my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Navarro County Emergency Services District #1, as of September 30, 2024, and the respective changes in financial position and budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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

My 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 my opinion. 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, I:

- Exercise professional judgment and maintain professional skepticism through 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 Navarro County Emergency Services District #1'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Navarro County Emergency Services District #1's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Evelyn R. Pareya

June 6, 2025

Management's Discussion and Analysis

Navarro County Emergency Services District #1

As management of the Navarro County Emergency Services District #1, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Navarro County Emergency Services District #1 for the fiscal year ended September 30, 2024. The District was created as a result of an election held November 6, 2007. The first meeting of the Board of Commissioners was held January 6, 2008.

Financial Highlights

- The assets of the Navarro County Emergency Services District #1 exceeded its liabilities at the close of the most recent fiscal period by \$ 1,145,609.60 (net position). Of this amount, \$ 758,248.16 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position during the year increased by \$ 222,227.83.
- As of the close of the 23-24 fiscal year the District's governmental fund reported ending fund balance of \$741,687.31, an increase of \$239,052.86. The unassigned fund balance for the General Fund was \$ 728,481.47.
- At the close of the current fiscal period, the District had no debt outstanding.

Overview of the Financial Statements

This discussion and analysis are intended to service as an introduction to the Navarro County Emergency Services District #1's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Navarro County Emergency Services District #1's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference 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.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal period. 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*.

The governmental activities of the District reported in the government-wide financial statements include general government activities. The government-wide financial statements can be found on pages 1 and 2 of this report.

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 Navarro County Emergency Services District #1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Navarro County Emergency Services District #1 has only a General Fund, which is a governmental fund.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resource* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 this comparison between *governmental funds* and *governmental activities*. The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

Notes to the 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 financial statements can be found on pages 7-9 of this report.

Overview of the District's Financial Position and Operations

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Navarro County Emergency Services District #1, assets exceeded liabilities by \$ 1,145,609.60 at the close of the most recent fiscal year. The District's overall financial position and operations for the past two years is summarized as follows based on the information included in the government-wide financial statements.

Navarro County Emergency Service District #1's Net Position
September 30, 2024 & 2023

| | Governmental Activities | | Totals | |
|---|-------------------------|----------------------|------------------------|----------------------|
| | 9/30/24 | 9/30/23 | 9/30/24 | 9/30/23 |
| Assets: | | | | |
| Cash & cash equivalents | \$ 741,687.31 | \$ 524,081.25 | \$ 741,687.31 | \$ 524,081.25 |
| Accounts Receivable | 29,766.69 | 25,787.40 | 29,766.69 | 25,787.40 |
| Capital Assets | 374,155.60 | 394,959.92 | 374,155.60 | 394,959.92 |
| Total Assets | <u>1,145,609.60</u> | <u>944,828.57</u> | <u>1,145,609.60</u> | <u>944,828.57</u> |
| Liabilities: | | | | |
| Accounts Payable | - | 21,446.80 | - | 21,446.80 |
| Total Liabilities | - | 21,446.80 | - | 21,446.80 |
| Net Position: | | | | |
| Invested in capital assets, net of related debts | 374,155.60 | 394,959.92 | 374,155.60 | 394,959.92 |
| Restricted | 13,205.84 | 33,463.99 | 13,205.84 | 33,463.99 |
| Unassigned | 758,248.16 | 494,957.86 | 758,248.16 | 494,957.86 |
| Total Net Position | <u>\$ 1,145,609.60</u> | <u>\$ 923,381.77</u> | <u>\$ 1,145,609.60</u> | <u>\$ 923,381.77</u> |

Navarro County Emergency Service District #1 Changes in Net Position
For the Fiscal Years Ended September 30, 2024 and 2023

| | Governmental Activities | | Total | |
|-------------------------------------|-------------------------|----------------------|------------------------|----------------------|
| | 9/30/24 | 9/30/23 | 9/30/24 | 9/30/23 |
| General Revenues: | | | | |
| Property taxes & related revenues | \$ 401,764.67 | \$ 318,674.31 | \$ 401,764.67 | \$ 318,674.31 |
| Intergovernmental Support | 7,200.00 | 7,200.00 | 7,200.00 | 7,200.00 |
| Contributions | 2,400.00 | 18,292.95 | 2,400.00 | 18,292.95 |
| Grant Income | 20,000.00 | 22,970.00 | 20,000.00 | 22,970.00 |
| Investment revenues | 1,630.56 | 483.72 | 1,630.56 | 483.72 |
| Total Revenues | 432,995.23 | 367,620.98 | 432,995.23 | 367,620.98 |
| Expenses: | | | | |
| Administration | 36,218.08 | 20,104.23 | 36,218.08 | 20,104.23 |
| Emergency Service Support | 124,158.32 | 139,419.03 | 124,158.32 | 139,419.03 |
| Depreciation Expense | 50,391.00 | 47,114.00 | 50,391.00 | 47,114.00 |
| Total Expenses | 210,767.40 | 206,637.26 | 210,767.40 | 206,637.26 |
| Increase (Decrease) in net position | 222,227.83 | 160,983.72 | 222,227.83 | 160,983.72 |
| Net position, beginning of year | 923,381.77 | 762,398.05 | 923,381.77 | 762,398.05 |
| Total Net Position, End of Year | <u>\$ 1,145,609.60</u> | <u>\$ 923,381.77</u> | <u>\$ 1,145,609.60</u> | <u>\$ 923,381.77</u> |

The District's net position increased by \$ 222,227.83 during the current fiscal year.

General Fund Budgetary Highlights.

The original budget was not amended during the fiscal year presented. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates.

Capital Asset Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of September 30, 2024 amounted to \$ 374,155.60 (net of accumulated depreciation). This investment in capital assets includes a building, emergency service vehicles, and equipment. The decrease in the District's investment in capital assets for the current fiscal year was 5%, mainly due to depreciation expense.

Navarro County Emergency Services District #1
Capital Assets at Year-End (net of depreciation)

| | Governmental Activities | | Totals | |
|--------------|-------------------------|----------------------|----------------------|----------------------|
| | 9/30/24 | 9/30/23 | 9/30/24 | 9/30/23 |
| Vehicles | \$ 65,681.05 | \$ 90,501.05 | \$ 65,681.05 | \$ 90,501.05 |
| Equipment | 55,110.31 | 62,883.63 | 55,110.31 | 62,883.63 |
| Building | 150,694.24 | 144,825.24 | 150,694.24 | 144,825.24 |
| Land | 102,670.00 | 96,750.00 | 102,670.00 | 96,750.00 |
| Total Assets | \$ <u>374,155.60</u> | \$ <u>394,959.92</u> | \$ <u>374,155.60</u> | \$ <u>394,959.92</u> |

Requests for Information

This financial report is designed to provide a general overview of the Navarro County Emergency Services District #1's financial condition and financial activities for all those with an interest in the District's financial activity. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at P. O. Box 2, Powell, Texas 75153.

Navarro County Emergency Services District #1
Statement of Net Position
September 30, 2024

| Assets | <u>Governmental Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------|
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 728,481.47 | \$ 728,481.47 |
| Taxes Receivable | <u>29,766.69</u> | <u>29,766.69</u> |
| Total Current Assets | 758,248.16 | 758,248.16 |
| Non-current Assets: | | |
| Restricted Cash | 13,205.84 | 13,205.84 |
| Capital Assets (net of accumulated depreciation): | <u>374,155.60</u> | <u>374,155.60</u> |
| Total non-current assets | <u>387,361.44</u> | <u>387,361.44</u> |
| Total assets | <u>1,145,609.60</u> | <u>1,145,609.60</u> |
| Liabilities | | |
| Current Liabilities: | | |
| None | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> |
| Net Position | | |
| Net investment in capital assets | 374,155.60 | 374,155.60 |
| Restricted | 13,205.84 | 13,205.84 |
| Unrestricted | <u>758,248.16</u> | <u>758,248.16</u> |
| Total Net Position | \$ <u><u>1,145,609.60</u></u> | \$ <u><u>1,145,609.60</u></u> |

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1
Statement of Activities
Year Ended September 30, 2024

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|----------------------------------|-----------------|---------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| Emergency Service Support | \$ (174,549.32) | \$ - | \$ 29,600.00 | \$ - | \$ (144,949.32) |
| General Government | (36,218.08) | - | - | - | (36,218.08) |
| Total governmental activities | \$ (210,767.40) | \$ - | \$ 29,600.00 | \$ - | (181,167.40) |
| | | | | | |
| General revenues: | | | | | |
| Ad Valorem Taxes | | | | | 395,539.25 |
| Penalty & Interest | | | | | 6,225.42 |
| Unrestricted investment earnings | | | | | 1,630.56 |
| Total General Revenues | | | | | 403,395.23 |
| Change in net position | | | | | 222,227.83 |
| Net position - beginning | | | | | 923,381.77 |
| Net position - ending | | | | | \$ 1,145,609.60 |

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1
Balance Sheet
Governmental Funds
September 30, 2024

| | General Fund | Total Governmental Funds |
|--|-------------------|--------------------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 728,481.47 | \$ 728,481.47 |
| Restricted Cash | 13,205.84 | 13,205.84 |
| Receivables, net | <u>29,766.69</u> | <u>29,766.69</u> |
| Total assets | <u>771,454.00</u> | <u>771,454.00</u> |
| <u>Liabilities and Fund Balances</u> | | |
| Liabilities: | | |
| None | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Unavailable revenue: | | |
| Property Taxes | <u>29,766.69</u> | <u>29,766.69</u> |
| Total deferred inflows of resources | <u>29,766.69</u> | <u>29,766.69</u> |
| <u>Fund Balances</u> | | |
| Fund balances: | | |
| Restricted | 13,205.84 | 13,205.84 |
| Unassigned | <u>728,481.47</u> | <u>728,481.47</u> |
| Total fund balances | <u>741,687.31</u> | 741,687.31 |
| Total liabilities, deferred inflows of resources, and fund balances \$ | <u>771,454.00</u> | |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 374,155.60 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | <u>29,766.69</u> |
| Net Position of Governmental Activities | | <u>\$ 1,145,609.60</u> |

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1
Statement of Revenues, Expenditures & Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2024

| | General Fund | Total Governmental Funds |
|--|-----------------------------|--------------------------------|
| Revenues: | | |
| Ad Valorem Taxes | \$ 391,559.96 | \$ 391,559.96 |
| Penalty and Interest | 6,225.42 | 6,225.42 |
| Intergovernmental Support | 7,200.00 | 7,200.00 |
| Contributions | 2,400.00 | 2,400.00 |
| Grant Income | 20,000.00 | 20,000.00 |
| Interest Earned | 1,630.56 | 1,630.56 |
| Total Revenue | <u>429,015.94</u> | <u>429,015.94</u> |
| Expenditures: | | |
| Current: | | |
| Emergency Services Support: | | |
| Kerens VFD | 62,500.00 | 62,500.00 |
| RC287 VFD | 19,400.00 | 19,400.00 |
| ESD Fire Department | 25,728.87 | 25,728.87 |
| Vehicle Insurance | 12,095.22 | 12,095.22 |
| Building Maintenance | 10,527.45 | 10,527.45 |
| Building Insurance | 6,002.00 | 6,002.00 |
| Other Insurance | 2,040.70 | 2,040.70 |
| Legal Fees | 1,450.00 | 1,450.00 |
| Appraisal District Fees | 7,964.20 | 7,964.20 |
| Auditing Fees | 3,900.00 | 3,900.00 |
| Office Expense | 2,708.74 | 2,708.74 |
| Tax Collection Expense | 3,507.59 | 3,507.59 |
| Education and Training | 1,947.94 | 1,947.94 |
| Travel | 273.69 | 273.69 |
| Membership Dues | 275.00 | 275.00 |
| Bank Charges | 55.00 | 55.00 |
| Capital Expenditures | <u>29,586.68</u> | <u>29,586.68</u> |
| Total Expenditures | <u>189,963.08</u> | <u>189,963.08</u> |
| Excess of revenues over (under) expenditures | <u>239,052.86</u> | <u>239,052.86</u> |
| Fund Balance, Beginning of the year | <u>502,634.45</u> | <u>502,634.45</u> |
| Fund Balance, End of the Year | <u><u>\$ 741,687.31</u></u> | <u><u>\$ 741,687.31</u></u> |

See accompanying notes to the financial statements.

Navarro 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
Year Ended September 30, 2024

| | |
|--|-----------------------------|
| Net Change in fund balances - total governmental funds (Page 4) | \$ 239,052.86 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$50,391.00) exceeded asset additions (\$29,586.68) for the current period. | (20,804.32) |
| Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | <u>3,979.29</u> |
| Change in net position of governmental activities | \$ <u><u>222,227.83</u></u> |

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1
Statement of Revenues, Expenditures, & Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2024

| | Budgeted Amounts | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|-------------------|--|
| REVENUE | | | |
| Ad Valorem Taxes | \$ 375,831.72 | \$ 391,559.96 | \$ 15,728.24 |
| Penalty and Interest | - | 6,225.42 | 6,225.42 |
| Intergovernmental Support | 7,200.00 | 7,200.00 | - |
| Contributions | - | 2,400.00 | 2,400.00 |
| Grant Income | - | 20,000.00 | 20,000.00 |
| Interest Earned | - | 1,630.56 | 1,630.56 |
| | <u>383,031.72</u> | <u>429,015.94</u> | <u>45,984.22</u> |
| Total Revenue | | | |
| EXPENDITURES | | | |
| Current: | | | |
| Emergency Services Support: | | | |
| Kerens VFD | 62,500.00 | 62,500.00 | 0.00 |
| RC287 VFD | 19,400.00 | 19,400.00 | - |
| NCESD #1 Fire Department | 31,400.00 | 25,728.87 | 5,671.13 |
| Vehicle Insurance | 12,500.00 | 12,095.22 | 404.78 |
| Building Lease & Maintenance | 41,500.00 | 10,527.45 | 30,972.55 |
| General Liability & Building Insurance | 8,500.00 | 6,002.00 | 2,498.00 |
| Other Insurance | 4,500.00 | 2,040.70 | 2,459.30 |
| Legal Fees-operations | 1,200.00 | 1,450.00 | (250.00) |
| Legal Fees-Kerens Building Fund | 50,000.00 | - | 50,000.00 |
| Appraisal District Fees | 5,400.00 | 7,964.20 | (2,564.20) |
| Auditing Fees | 4,000.00 | 3,900.00 | 100.00 |
| Education & Training | 5,000.00 | 1,947.94 | 3,052.06 |
| Office Expense | 4,150.00 | 2,708.74 | 1,441.26 |
| Tax Collection Expense | 3,000.00 | 3,507.59 | (507.59) |
| Other Expenses | 400.00 | 603.69 | (203.69) |
| Capital expenditures | 30,000.00 | 29,586.68 | 413.32 |
| | <u>283,450.00</u> | <u>189,963.08</u> | <u>93,486.92</u> |
| Total Expenditures | | | |
| Excess of revenues over (under) expenditures | \$ 99,581.72 | 239,052.86 | \$ 139,471.14 |
| Fund Balance, Beginning of the year | | 502,634.45 | |
| Fund Balance, End of the Year | | \$ 741,687.31 | |

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1

Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2024

I. Reporting Entity and Financial Reporting

The Navarro County Emergency Services District #1 is a political subdivision of the State of Texas, created as a result of a public election held November 6, 2007, under the provisions of Section 48-e of Article III of the Constitution of the State of Texas and Chapter 775 of the Texas Health and Safety Code. The Board of Commissioners held its first meeting on January 6, 2008. An Emergency Services District may support or provide local emergency services, including emergency medical services, emergency ambulance services, rural fire prevention and control services, and other emergency services authorized by the Texas Legislature. The purpose of the Navarro County Emergency Services District #1 is to provide fire prevention and control services for the geographic area included in the Kerens Independent School District. The accompanying financial statements are those of the District, the only entity for which the District is financially accountable.

II. Summary of significant accounting policies

(A) Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position, and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

(B) Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

The District reports the following major governmental funds:

General Fund - The general fund is the District's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

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(C) Assets, liabilities, and net position or equity

(1) Deposits

The District's cash and cash equivalents consist of four demand deposit accounts, one of which is an interest-bearing savings account. The District has a demand deposit account for the purpose of segregating funds received from Navarro County to be used for supplementing fuel costs for fire-fighting equipment.

Statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (the Act). The District is also required to follow specific investments practices prescribed by the Act related to establishment of appropriate investment policies and management reports. The District is in compliance with all such significant provisions of the Act.

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

(2) Receivables

All receivables are shown net of estimated uncollectible amounts.

(3) Property Taxes

The appraisal of property within the District is the responsibility of the Navarro County Appraisal District. The Emergency Service District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The net assessed value upon which the fiscal 2023 levy was based was \$ 849,095,103. Taxes are due by the January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2024 were 96.53% of the tax levy.

(III) Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance of total governmental funds and net position of governmental activities as reported in the government-wide statement of net position.

The governmental statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances of total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

(IV) Stewardship, compliance, and accountability

Budgetary Information – An annual budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Prior to August 1, the board develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of a resolution, and a tax rate is set.

(V) Detailed Notes on All Funds

(A) Deposits

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

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Category 1: Insured or collateralized with securities held by the District or its agent in the District's name.
Category 2: Collateralized with securities held by the District or its agent in the District's name.
Category 3: Uncollateralized.

During the fiscal year ended September 30, 2024, all of the District's deposits were categorized as Category 1. The District had entered into an agreement with the Powell State Bank, whereby the bank pledges approved securities to insure the District's deposits in excess of the FDIC limit.

As of September 30, 2024, the District's carrying amount of deposits was \$ 741,687.31; the bank balance was \$742,904.32.

B. Receivables

As of year-end, receivables consisted of property taxes receivable in the amount of \$ 29,766.69.

C. Fire Protection Services

The District has agreements with two local volunteer fire departments, Kerens VFD and 287 R/C Fire and Rescue, to provide fire protection and prevention services to the residents of the District. The District also maintains the Emergency Services Fire Department, which is staffed by volunteers. The District receives a monthly subsidy from Navarro County for the purpose of fueling and maintaining the fire fighting vehicles owned by the District.

D. Capital Assets

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

| Primary Government | Balance 10/1/2023 | Additions | Deletions | Balance 9/30/2024 |
|---|----------------------|----------------|-----------|----------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 96,750.00 | \$ | \$ | \$ 96,750.00 |
| Capital Assets, being depreciated: | | | | |
| Emergency Vehicles | 345,737.05 | - | - | 345,737.05 |
| Fire Fighting Equipment | 138,504.63 | 10,371.68 | - | 148,876.31 |
| Building | 151,414.24 | 19,215.00 | - | 170,629.24 |
| Total Capital Assets being depreciated | 635,655.92 | 29,586.68 | - | 665,242.60 |
| Less accumulated depreciation for: | | | | |
| Emergency Vehicles | (255,236.00) | (24,820.00) | - | (280,056.00) |
| Fire Fighting Equipment | (75,621.00) | (18,145.00) | - | (93,766.00) |
| Building | (6,689.00) | (7,426.00) | - | (14,115.00) |
| Total accumulated depreciation | (337,546.00) | (50,391.00) | - | (387,937.00) |
| Total Capital Assets Being Depreciated, Net | 298,109.92 | (20,804.32) | - | 277,305.60 |
| Total Governmental Capital Assets | \$ 394,859.92 | \$ (20,804.32) | \$ - | \$ 374,055.60 |

Depreciation was charged to programs of the District as follows:

| | | |
|--------------------------|--------------------|-----------|
| Governmental Activities: | Emergency Services | \$ 50,391 |
|--------------------------|--------------------|-----------|

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Capital asset activity consisted of the purchase of building improvements in the amount of \$ 19,215.00 and \$10,371.68 for fire fighting equipment.

E. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The district has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.