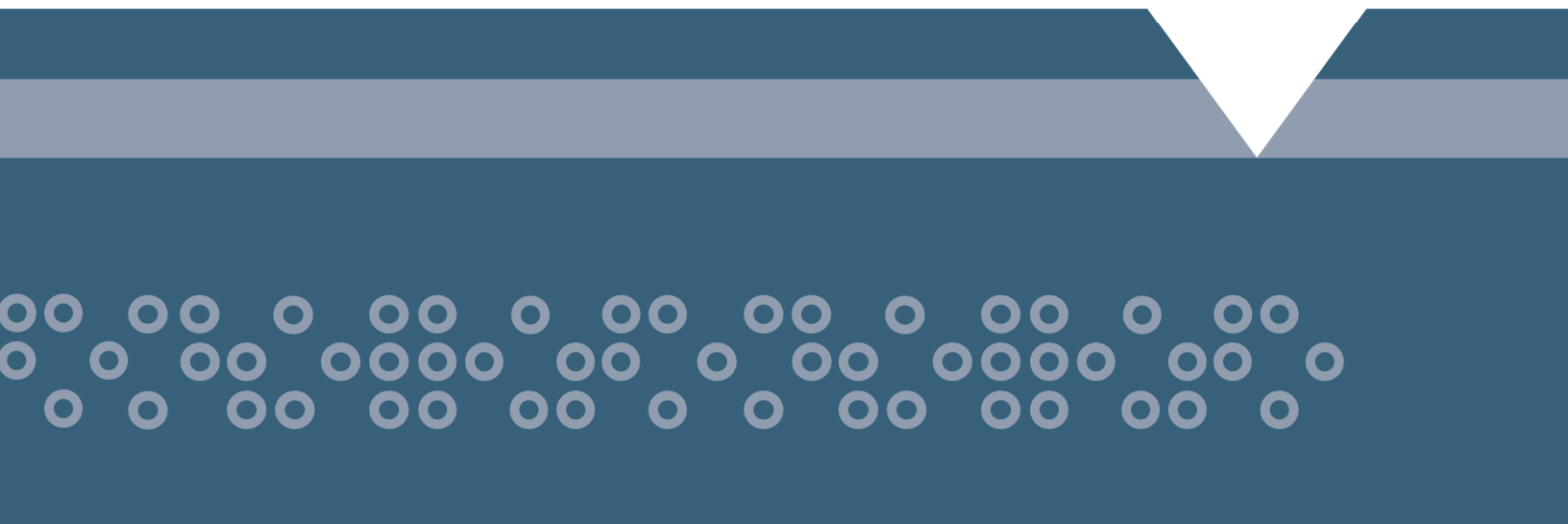


**Gregg County Emergency Services District No. 1**  
Longview, Texas

**September 30, 2025**



**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**LONGVIEW, TEXAS**

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**AUDITED FINANCIAL STATEMENTS**



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903.758.0734 (P) | 903.758.0756 (F)

To The Board of Directors  
Gregg County Emergency Services District No. 1  
Longview, Texas

## **INDEPENDENT AUDITOR'S REPORT**

### ***Opinion***

We have audited the accompanying financial statements of the governmental activities of Gregg County Emergency Services District No. 1 (the District) as of and for the year ended September 30, 2025 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 governmental funds balance sheet and statement of net position of the District as of September 30, 2025, and the governmental funds revenues, expenditures, and changes in fund balances and statement of activities for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with generally accepted auditing standards (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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 Gregg County Emergency Services District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***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 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 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, including omissions, 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.

### ***Other Matters***

#### ***Report on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-6, and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Heard, McElroy & Vestal, LLC*

Longview, Texas

February 9, 2026

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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This section of the Gregg County Emergency Services District No. 1's (the District) annual financial report, the Management's Discussion and Analysis (MDA), provides the District's management narrative discussion and summary of the financial activities and performance of the District for the fiscal year ended September 30, 2025. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. For more detailed information regarding the District's activities, the reader should also review the actual financial statements, including the notes thereto.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities by \$5,542,000 (net position) for the fiscal year reported. This represents an increase from the previous year of \$1,099,000 (change in net position). Net investment in capital assets was \$3,320,000 at the end of the year. All remaining net position is unrestricted and is therefore available to maintain the District's continuing obligations. The District's total outstanding liabilities were \$118,000 at the end of the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements presented in this report include the basic financial statements, as well as required supplementary information. The basic financial statements attached hereto are comprised of the following major components.

The Governmental Funds Balance Sheet and Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as fund balance/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 declining.

The Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities presents information showing how the District's net position/fund balance 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, the accrual basis of accounting is used, which is similar to the accounting basis used by most private sector companies. All changes in fund balances of the governmental fund are reported on the modified accrual basis of accounting.

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

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred inflows of resources, liabilities, deferred outflows of resources, fund balances, revenues and expenditures, or expenses as appropriate. Government resources are allocated and accounted for the purpose of carrying on specific activities in accordance with laws, regulations or other appropriate requirements.

In the District's basic financial statements, you will see the following major governmental fund-the general fund. The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that would be required to be accounted for in another fund.

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**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. There were no variances between final budget amounts and actual results that are expected to have a significant effect on future services or liquidity other than sales tax revenue, which began in April of 2024.

A summary of the District's financial statements is presented below:

**The District's Government Funds Balance Sheet  
and Statement of Net Position (Condensed)**

Current and Other Assets	\$ 2,340,000
Capital Assets	<u>3,320,000</u>
Total Assets	5,660,000
Current Liabilities	118,000
Net Position:	
Net Investment in Capital Assets	3,320,000
Unrestricted	<u>2,222,000</u>
Total Net Position	<u>5,542,000</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 5,660,000</u></u>

Governmental Activities: Governmental activities increased the District's net position by \$1,099,000. Total revenues from governmental activities amounted to \$2,624,000, which property taxes (including penalty and interest) amounted to 51 percent and sales tax amounted to 47 percent.

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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The following table provides a summary of the District’s operations for the year ended September 30, 2025:

**Government Funds Revenues, Expenditures, and  
Changes in Fund Balances and Statement of Activities (Condensed)**

Revenues:	
Property Tax	\$ 1,324,000
Sales Tax	1,222,000
Penalties and Interest on Property Taxes	20,000
Interest Income	58,000
Miscellaneous Income	2,000
Total Revenues	2,626,000
Expenses:	
General Government and Administration	107,000
Fire and Emergency Services	1,420,000
Total Expenses	1,527,000
Increase in Net Position	1,099,000
Net Position, Beginning	4,443,000
Net Position, Ending	\$ 5,542,000

Capital Assets

Net property, plant, and equipment at September 30, 2025 was composed of the following:

Property, Plant, and Equipment:	
Building and Improvements	\$ 1,342,000
Equipment	2,441,000
	3,783,000
Accumulated Depreciation	(615,000)
Net Depreciable Property, Plant, and Equipment	3,168,000
Land	58,000
Construction in Progress	94,000
Net Property, Plant, and Equipment	\$ 3,320,000

Depreciation expense for the year ended September 30, 2025 was \$260,000.

CONTACTING DISTRICT MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, and creditors 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 the District’s Board of Commissioners at 8875 FM 2011 East, Longview, TX 75603.

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**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**GOVERNMENTAL FUNDS BALANCE SHEET**

**AND STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2025**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,214,797	\$ -	\$ 1,214,797
Prepaid Expenses	26,720	-	26,720
Investments in certificates of deposit	776,191	-	776,191
Accrued interest receivable	1,411	-	1,411
Property taxes receivable, net of allowance	95,802	-	95,802
Due from tax collector	2,607	-	2,607
Sales tax receivable	223,203	-	223,203
Capital assets	-	3,319,650	3,319,650
<b>Total Assets</b>	<u><u>\$ 2,340,731</u></u>	<u><u>\$ 3,319,650</u></u>	<u><u>\$ 5,660,381</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 116,237	\$ -	\$ 116,237
Collection attorneys payable	2,086	-	2,086
<b>Total Liabilities</b>	<u>118,323</u>	<u>-</u>	<u>118,323</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Uncollected property taxes	95,802	(95,802)	-
<b>Total Deferred Inflows of Resources</b>	<u>95,802</u>	<u>(95,802)</u>	<u>-</u>
<b>FUND BALANCE/NET POSITION</b>			
Unassigned	2,126,606	(2,126,606)	-
<b>Total Fund Balance</b>	<u>2,126,606</u>	<u>(2,126,606)</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u><u>\$ 2,340,731</u></u>		
<b>Net Position:</b>			
Net investment in capital assets		3,319,650	3,319,650
Unrestricted		2,222,408	2,222,408
<b>Total Net Position</b>		<u>5,542,058</u>	<u>5,542,058</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>		<u><u>\$ 3,319,650</u></u>	<u><u>\$ 5,660,381</u></u>

The accompanying notes are an integral part of these financial statements.

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**AND STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property taxes	\$ 1,311,598	\$ 12,336	\$ 1,323,934
Sales Tax	1,221,845	-	1,221,845
Penalties and interest on property taxes	20,244	-	20,244
Investment earnings	58,062	-	58,062
Total Revenues	<u>2,611,749</u>	<u>12,336</u>	<u>2,624,085</u>
<b>EXPENDITURES/EXPENSES</b>			
General Government:			
Accounting fees	4,934	-	4,934
Auditor fees	11,000	-	11,000
Appraisal district fees	26,401	-	26,401
Legal fees	31,499	-	31,499
Consulting fees	2,780	-	2,780
Office expense	2,505	-	2,505
Tax collection services	27,760	-	27,760
Total General Government	<u>106,879</u>	<u>-</u>	<u>106,879</u>
Emergency Services:			
Operations	1,159,851	-	1,159,851
Depreciation	-	260,169	260,169
Purchase of capital assets	381,195	(381,195)	-
Total Emergency Services	<u>1,541,046</u>	<u>(121,026)</u>	<u>1,420,020</u>
Total Expenditures/Expenses	<u>1,647,925</u>	<u>(121,026)</u>	<u>1,526,899</u>
Other Sources (Uses) of Funds:			
Miscellaneous Revenue	2,185	-	2,185
Net Change in Fund Balances/Net Position	966,009	133,362	1,099,371
Fund Balances/Net Position at Beginning of Year	1,160,597	3,282,090	4,442,687
Fund Balances/Net Position at End of Year	<u>\$ 2,126,606</u>	<u>\$ 3,415,452</u>	<u>\$ 5,542,058</u>

The accompanying notes are an integral part of these financial statements.

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2025**

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**Note 1 – Summary of Significant Accounting Policies:**

Basis of Presentation

The Gregg County Emergency Services District No. 1 (“GCESD1”, the “District”, or “we”) is a governmental entity incorporated under the provisions of the State of Texas. The District operates to provide funding for fire and other emergency services to portions of Gregg and Rusk County, Texas. This funding is provided by the levy of property taxes and sales taxes in the provided areas. The District is not included in any other reporting entity.

For financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used is as follows:

*Financial Accountability* – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization’s governing body and 1) it is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Based on the criteria above, the District has no component units.

The government-wide financial statements (Governmental Funds Balance Sheet and Statement of Net Position and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities) report information on all of the activities of GCESD1. 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. GCESD1 has only one fund, governmental fund.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The significant estimate that is reasonably possible to change in the near term include the allowance for bad debts.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities that use proprietary fund accounting which includes all pronouncements issued by the Government Accounting Standards Board (GASB). GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates the Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedures issued on or before November 30, 1989. GASB No. 62 eliminates the option for business-type activities and enterprise funds to follow FASB statements and interpretations issued after November 30, 1989.

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2025**

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We comply with GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASB No. 34)” as amended by GASB No. 37. GASB No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- Net investment in capital assets:

Capital assets, net of accumulated depreciation and net of the outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

Nonexpendable – Net position subject to externally imposed stipulations that require the District to maintain them permanently.

Expendable – Net position whose use by the District is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time.

- Unrestricted:

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Net Position

Net position represents the residual interest in our assets after liabilities are deducted and consist of three sections: invested in capital assets, net of related debt, restricted and unrestricted. Net position invested in capital assets, net of debt includes capital assets, net of accumulated depreciation, reduced by outstanding debt. Net position is reported as restricted when constraints are imposed by third parties or by legislation. Unrestricted net position is comprised of the remainder of net position that has no restrictions. Though we have no restricted net position, restricted resources would be used prior to unrestricted resources whenever an expense is incurred for purposes in which both are available.

Deferred Outflows / Inflows of Resources

In addition to assets, Governmental Funds Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District’s governmental fund does not have any items that meet the definition of deferred outflows of resources. In addition to liabilities, the Governmental Funds Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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’s governmental fund has only one item that meets this definition and qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the Governmental Funds Balance Sheet and Statement of Net Position. The District’s governmental fund reports unavailable revenue from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. For

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**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2025**

the accrual basis government-wide statement of net position, the availability test does not apply; therefore, the deferred inflow is removed and the change in deferred inflow from prior year is included in government-wide revenues.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Income Tax Status

GCESD1 is not a tax paying entity. We are not required to file an income tax return.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost. Assets retired or otherwise disposed of and the related amounts of accumulated depreciation are eliminated from the accounts and a gain or loss is recognized.

A summary of capital asset activity for the year ended September 30, 2025 is as follows:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital Assets Being Depreciated:				
Building and improvements	\$ 1,341,901	\$ -	\$ -	\$ 1,341,901
Equipment	2,154,025	286,731	-	2,440,756
Capital Assets Being Depreciated, Gross	3,495,926	286,731	-	3,782,657
Less Accumulated Depreciation for:				
Building and improvements	(101,960)	(42,602)	-	(144,562)
Equipment	(253,169)	(217,567)	-	(470,736)
Total Accumulated Depreciation	(355,129)	(260,169)	-	(615,298)
Capital Assets Being Depreciated, Net	3,140,797	26,562	-	3,167,359
Capital Assets Not Being Depreciated:				
Land	57,827	-	-	57,827
Construction in progress	-	94,464	-	94,464
Capital Assets Not Depreciated	57,827	94,464	-	152,291
Total Capital Assets, Net	\$ 3,198,624	\$ 121,026	\$ -	\$ 3,319,650

Capital assets are depreciated using the straight-line depreciation method over estimated useful lives ranging from five to thirty years. Depreciation expense was \$260,169 for the year ended September 30, 2025.

Budgets and Budgetary Accounting

A budget adopted by the Board is presented in the accompanying financial statements on the budgetary basis. The budget is not legally binding. Annual appropriations lapse at the end of the fiscal year. There

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2025**

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were no significant differences between original and final budgeted amounts for the year other than sales tax revenue.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2 – Deposit and Investment Risk Disclosures:**

The District contracts with Texas National Bank to serve as depository for funds of the District. Our policy is that all monies, whether in interest bearing accounts or certificates of deposit, be collateralized by pledged securities to the extent insurance coverage provided by the depository institution is exceeded.

Fair Value Measurements – The District uses various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72 established a hierarchy that prioritizes inputs to valuation methods. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the District has the ability to access at the measurement date.
- Level 2 inputs are observable and other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, process for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.
- Level 3 inputs are unobservable inputs for an asset or liability, to the extent relevant observable inputs are not available, representing the District’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2025**

As of September 30, 2025, the fair value of investments were:

<u>Description</u>	Total at December 31	Fair value Measurements Using		
		Level 1: Quoted Prices In Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs
Investments by Fair Value				
Level - CD's	\$ 776,191	\$ -	\$ 776,191	\$ -

CDs classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including, but not limited to, quoted prices for similar certificates.

**Custodial Credit Risk – Investments –** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District’s investment policy requires that all investments are collateralized, as required by the Collateral Act for Public Funds, Chapter 2257, of the Texas Government Code. The District has no exposure to investment custodial credit risk at September 30, 2025, because all investments were fully covered by either pledged securities or depository institutions.

**Credit Risk –** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At September 30, 2025, the District has no investments with credit risk.

**Concentration of Credit Risk –** Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. The District is authorized to invest funds in accordance with its investment policy, bond indentures, and the Texas Public Funds Investment Act. Authorized investments include but are not limited to: United States Treasury and federal agency issues, CDs issued by a state or national bank domiciled in the State of Texas, Securities and Exchange Commission registered no-load money market mutual funds and local government investment funds.

**Interest Rate Risk –** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses due to interest rate fluctuations, the District invests in CDs with fixed interest rates.

**Note 3 – Fire Protection Services:**

On August 2, 2001, the District entered into an agreement with the Elderville-Lakeport Volunteer Fire Department (ELVFD) to provide fire protection and emergency medical first responder services within the District. This agreement is to remain in full force until terminated by either party upon 90 days written notice.

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2025**

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**Note 4 – Expenditures:**

The District reimburses the ELVFD monthly for actual allowable costs incurred in the performance of its programs that have been budgeted and annually approved by the District. The District may also approve additional funding assistance with major acquisitions of property and equipment. Reimbursements from the District for the current year ended were \$1,541,046 for expenses incurred. This included \$381,195 for equipment capitalized and owned by the District.

**Note 5 – Ad Valorem Property Taxes:**

In accordance with Texas statutes, the Board of Commissioners approves a tax rate and order to levy taxes in September of each year. Property taxes are billed by the county tax assessor-collector as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are payable upon receipt of the tax bill and are delinquent if not paid before February 1 of each year following the year in which imposed. On January 1, of the year following the District’s order to levy taxes (the assessment date), a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessment date represents the date on which an enforceable legal claim arises and attaches as the lien on the assessed property. In the basic financial statements, property tax revenues are considered available when they become due and receivable within the current period, including those property taxes expected to be collected during a 60-day period after the close of the District’s fiscal year.

The total assessed value for real and personal property on the tax roll was approximately \$869,988,866 for Gregg County and \$464,886,720 for Rusk County for the year ended September 30, 2025, as certified by the Gregg and Rusk County Appraisal Districts.

The District’s assessed tax rates approved by the Board for 2024-2025 general fund operations were \$0.10 per \$100 valuation.

As of September 30, 2025, unavailable property tax revenue totaled \$95,802. Property taxes receivable at September 30, 2025 consisted of the following:

	General Fund
Gregg County	\$ 94,606
Rusk County	46,225
	<u>140,831</u>
Less: Allowance for Uncollectibles	(45,029)
Total	<u>\$ 95,802</u>

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2025**

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**Note 6 – Sales Tax:**

Beginning in April 2024, GCESD1 started receiving special purpose district sales and use tax allocations. The allocations are received from the Texas Comptroller of Public Accounts (Comptroller) monthly, net of service fees and amounts retained by the Comptroller.

We comply with GASB Statement No. 33, as amended by GASB Statement No. 36. The statements require sales tax revenue to be recorded whenever it is available, based on the date of the exchange transaction, or the sale that generated the tax. The sales tax received is generally two months in arrears. August and September sales taxes, which are received by GCESD1 in October and November, are considered available because receipt occurs in a reasonable time period after the end of the year.

The District receives a 2 percent local sales and use tax for portions of the District in Rusk County. For the portions at the District located in Gregg County, the District collects 1.5 percent sales and use tax. The total sales tax received from the Comptroller as of September 30, 2025 was \$1,221,845, which includes taxes receivable of \$223,203. There is no allowance for uncollectibles, as the amount was received in full by November 2025.

**Note 7 – Concentrations of Credit Risks:**

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. Our policy is to place temporary cash investments with major federally insured financial institutions, to limit the amount of credit exposure to any one financial institution.

We maintain investment accounts with major financial institutions. The accounts contain cash and certificates of deposit. Cash and certificates of deposit balances with financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2025, the financial institution had pledged securities to cover substantially all of these deposits in excess of the combined FDIC limits.

**Note 8 – Subsequent Events:**

We have evaluated subsequent events through February 9, 2026, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**GREGG COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>Actual Amount</u>	<u>Budgeted Amount</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Property taxes	\$ 1,311,598	\$ 1,334,875	\$ 23,277
Sales Tax	1,221,845	420,000	(801,845)
Penalties and interest on property taxes	20,244	18,975	(1,269)
Investment earnings	58,062	18,750	(39,312)
Total Revenues	<u>2,611,749</u>	<u>1,792,600</u>	<u>(819,149)</u>
<b>Expenditures from Operating Funds:</b>			
General Government:			
Accounting fees	4,934	4,200	(734)
Auditor fees	11,000	12,000	1,000
Appraisal district fees	26,401	18,975	(7,426)
Legal fees	31,499	25,000	(6,499)
Consulting fees	2,780	-	(2,780)
Office expense	2,505	-	(2,505)
Tax collection services	27,760	25,300	(2,460)
Miscellaneous Charges	-	10,000	10,000
Total General Government	<u>106,879</u>	<u>95,475</u>	<u>(11,404)</u>
Emergency Services:			
Operations	1,159,851	1,160,000	149
Purchase of capital assets	381,195	507,500	126,305
Total Emergency Services	<u>1,541,046</u>	<u>1,667,500</u>	<u>126,454</u>
Total Expenditures/Expenses	<u>1,647,925</u>	<u>1,762,975</u>	<u>115,050</u>
<b>Other Sources (Uses) of Funds:</b>			
Miscellaneous Revenue	<u>2,185</u>	<u>-</u>	<u>(2,185)</u>
Net Change in Fund Balances/Net Position	966,009	29,625	(936,384)
Fund Balances/Net Position at Beginning of Year	<u>1,160,597</u>	<u>1,160,597</u>	<u>-</u>
Fund Balances/Net Position at End of Year	<u>\$ 2,126,606</u>	<u>\$ 1,190,222</u>	<u>\$ (936,384)</u>

The accompanying notes are an integral part of these financial statements.